IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	§	**Case No. 16-31928**
	§	
ENERGY XXI LTD, *et al.*,	§	**(Chapter 11)**
	§	
	§	**(Joint Administration Requested)**
Debtors.[1]	§	**(Emergency Hearing Requested)**

DECLARATION OF BRUCE W. BUSMIRE IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS

I, Bruce W. Busmire, the Chief Financial Officer of Energy XXI Ltd ("***Energy XXI***" and together with its affiliates, the "***Company***"), an exempted company under the laws of Bermuda and one of the above-captioned debtors and debtors in possession, declare under penalty of perjury:

INTRODUCTION

1. On the date hereof (the "***Petition Date***"), Energy XXI and certain of its wholly-owned subsidiaries (collectively, the "***Debtors***") filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "***Bankruptcy Code***") with the United States Bankruptcy Court for the Southern District of Texas (the "***Court***"). To minimize the possible adverse effects on the Debtors' businesses, the Debtors have filed various motions and pleadings seeking "first day" relief (collectively, the "***First Day Pleadings***"). I have reviewed the First

[1] The Debtors in these chapter 11 cases and the last four digits of their respective federal tax identification numbers are: Anglo-Suisse Offshore Pipeline Partners, LLC (9562), Delaware EPL of Texas, LLC (9562), Energy Partners Ltd., LLC (9562), Energy XXI GOM, LLC (0027), Energy XXI Gulf Coast, Inc. (8595), Energy XXI Holdings, Inc. (1638), Energy XXI, Inc. (2108), Energy XXI Leasehold, LLC (8121), Energy XXI Ltd (9286), Energy XXI Natural Gas Holdings, Inc. (7517), Energy XXI Offshore Services, Inc. (4711), Energy XXI Onshore, LLC (0308), Energy XXI Pipeline, LLC (5863), Energy XXI Pipeline II, LLC (8238), Energy XXI Services, LLC (3999), Energy XXI Texas Onshore, LLC (0294), Energy XXI USA, Inc. (8552), EPL of Louisiana, L.L.C. (9562), EPL Oil & Gas, Inc. (9562), EPL Pioneer Houston, Inc. (9749), EPL Pipeline, L.L.C. (1048), M21K, LLC (3978), MS Onshore, LLC (8573), Natural Gas Acquisition Company I, LLC (0956), Nighthawk, L.L.C. (9562), and Soileau Catering, LLC (2767). The location of the Debtors' U.S. corporate headquarters and the Debtors' service address is: 1021 Main Street, Suite 2626, Houston, Texas 77002.

Day Pleadings. Based on my knowledge, and after reasonable inquiry, I believe that approval of the relief requested therein is necessary to minimize disruption to the Debtors' estates resulting from the filing of these chapter 11 cases. I also believe that, absent immediate access to cash collateral and authority to make certain essential prepetition payments and otherwise continue conducting ordinary course business operations as set forth herein and described in greater detail in the First Day Pleadings, the Debtors would suffer immediate and irreparable harm to the detriment of their estates.

2. I have served as Energy XXI's Chief Financial Officer since October 2014. As a result, I am generally familiar with the Debtors' day-to-day operations, business and financial affairs, and books and records. I have more than 35 years of experience in financial management, accounting, planning, and reporting for numerous businesses in the oil and gas and energy industry. I hold a bachelor's degree in business administration from Lamar University, a master's degree in business administration from the Kellogg Graduate School of Management at Northwestern University, and a current Certified Public Accountant designation.

3. All facts and opinions set forth in this declaration are based upon: my knowledge of the Debtors' employees, operations, business, and finances; information learned from my review of relevant documents; information supplied to me or verified by other members of the Company's management and its third-party advisors; or my experience, knowledge, and information concerning the oil and gas industry generally. Unless otherwise indicated, the financial information contained in this declaration is unaudited and subject to change. This financial information is presented on a consolidated basis for the Debtors, except where noted. I am authorized to submit this declaration on behalf of the Debtors, and, if called upon to testify, I could and would testify competently to the facts and opinions set forth herein.

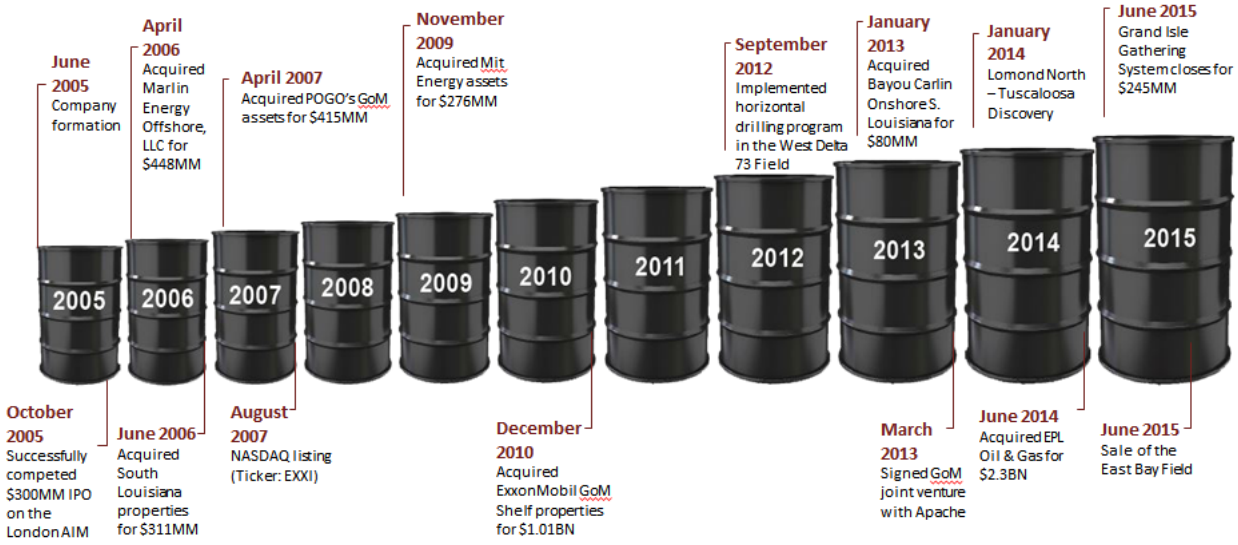
4. This declaration is organized as follows. Part I provides background information on the Company and detailed information on the Company's operations and prepetition capital structure. Part II describes the significant distress presently affecting the upstream oil and gas industry and its effects on the Company, the Company's prepetition restructuring efforts, and the recent negotiations that led to the restructuring support agreement ("***RSA***") described below. Part III and **Exhibit A** summarize the relief requested in and the factual bases supporting the First Day Pleadings.

I. THE DEBTORS' BUSINESSES

5. Energy XXI is a publicly-traded, independent oil and natural gas exploration and production company founded by John D. Schiller, Jr. and two other investors. Energy XXI and the other debtors, all of which are indirect wholly-owned domestic subsidiaries of Energy XXI, historically has engaged in the acquisition, exploration, development, and operation of oil and natural gas properties primarily offshore on the Gulf of Mexico Shelf (the "***GoM Shelf***"), as well as onshore in Louisiana. Headquartered in Houston, Texas, the Debtors currently employ approximately 250 full-time employees, and utilize the services of an additional 1,000 specialized and trained field workers and engineers through third-party service providers. Based on production volume, the Debtors are one of the largest publicly-traded, independent operators on the GoM shelf.

A. Energy XXI's History

6. Energy XXI was founded in July 2005 as an exempted company under the laws of Bermuda to serve as a vehicle for the acquisition of oil and gas reserves and related assets. Since Energy XXI's formation, it has completed acquisitions and divestitures for aggregate cash consideration of more than $5 billion. These transactions are highlighted in the following timeline:



7. As noted above, Energy XXI's most recent significant acquisition was of EPL Oil & Gas, Inc. ("***EPL***"). The EPL acquisition was completed on June 3, 2014, just before the precipitous decline in oil and gas prices, for approximately $2.3 billion, including the assumption of EPL debt.[2] The EPL acquisition involved a merger whereby EPL became a wholly-owned subsidiary of Energy XXI Gulf Coast, Inc. ("***EGC***"). The assets acquired in the EPL acquisition are located on the GoM Shelf.

8. In connection with the EPL acquisition, each EPL stockholder had the right to elect to receive, for each share of EPL common stock held by that stockholder: (a) cash, (b) Energy XXI common stock, or (c) a combination of cash and Energy XXI common stock. Approximately 65% of the aggregate Merger Consideration was paid in cash and approximately 35% was paid in Energy XXI common stock.

[2] In connection with the closing of the EPL transaction, EPL acquired an asset package consisting of certain shallow-water central GoM Shelf oil and natural gas interests in the South Pass 49 field from Energy XXI GOM, LLC, an indirect wholly-owned subsidiary of Energy XXI, for cash consideration of approximately $230 million.

9. In connection with the acquisition of EPL, the Company's first lien revolving credit agreement was also amended on September 5, 2014 (the "***Ninth Amendment***"). The Ninth Amendment increased the borrowing base under the credit agreement from $1.2 billion to $1.5 billion and established a separate sub-facility for EPL with a borrowing base of $475 million.[3] At the time of the EPL acquisition, EPL had $510 million in aggregate principal amount of 8.25% senior unsecured notes due February 15, 2018, which were left in place at EPL post-merger, and as a result became a part of the Company's capital structure. As further described herein, this structure has resulted in debt obligations at both EPL and EGC[4] on account of EPL's assets.

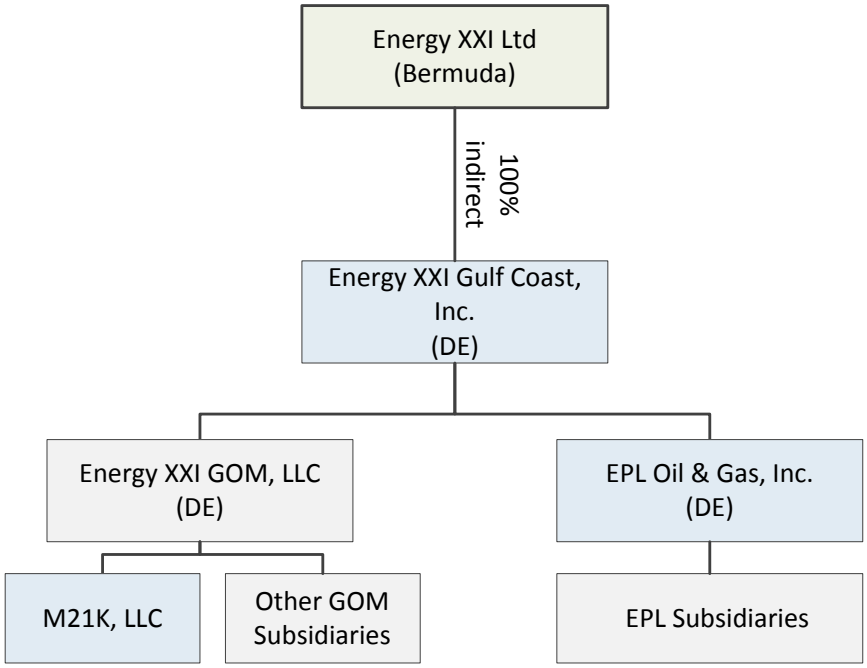
10. Energy XXI GOM, LLC also completed the acquisition of M21K, LLC ("***M21K***") in August 2015, pursuant to a stock purchase agreement whereby Energy XXI GOM, LLC acquired all of the remaining equity interests of M21K for consideration consisting of the assumption of all obligations and liabilities of M21K, including approximately $25.2 million associated with M21K's first lien credit facility, which was required to be paid at closing. Prior to this transaction, Energy XXI had owned a 20% interest in M21K though its investment in Energy XXI M21K, LLC.

B. Energy XXI's Corporate Structure

11. The Company's full corporate organization structure is detailed on **Exhibit B**. The following simplified organization chart depicts the Company's main business silos:

[3] As described herein, the first lien credit agreement has been further amended, to among other things reduce the overall borrowing base and the EPL sub-facility, but the concept of an EPL sub-facility remains in place.

[4] Energy XXI is also the obligor on certain senior unsecured convertible notes, which remain outstanding.



12. Energy XXI is the ultimate corporate parent, the issuer of the Company's common and preferred stock, and the issuer of certain senior unsecured convertible notes, all as further described herein.[5] Energy XXI is also a guarantor of the second lien secured notes and the four series of unsecured notes issued by EGC. Energy XXI's direct and indirect subsidiaries include the Debtors, two non-debtor domestic subsidiaries, and non-debtor Bermudan subsidiaries.[6]

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[5] Energy XXI, a Debtor herein, contemporaneously with the filing of these chapter 11 cases will also be filing a winding-up petition in the Supreme Court of Bermuda (the "***Bermuda Court***") and seeking appointment of a provisional liquidator with limited powers. Importantly, Energy XXI will request that the Bermuda Court allow these chapter 11 cases to proceed through confirmation before taking any further actions in the Bermudan proceeding.

[6] The two non-debtor domestic subsidiaries are: Energy XXI GIGS Services, LLC ("***GIGS***") and Energy XXI M21K, LLC ("***EXXI M21K***"). GIGS is a special purpose entity that was created in connection with the Company's sale and lease back of the Grand Isle Gathering System, which is further described herein. GIGS is not a borrower, issuer, or guarantor on any of the Company's funded debt obligations. On April 13, 2016, GIGS entered into a waiver with Grand Isle Corridor, LP, a wholly-owned subsidiary of CorEnergy Infrastructure Trust, Inc. ("***Grand Isle***"), in connection with the lease of the Grand Isle Gathering System. Although GIGS did not file a bankruptcy petition, certain events of default triggered by the Company's bankruptcy, would, among other things, allow Grand Isle, as landlord, to terminate the lease. In accordance with the waiver, Grand Isle waived certain of its rights to exercise remedies set forth

13. Energy XXI GOM, LLC, EPL, and M21K hold the majority of the Company's oil and gas interests.

14. EGC is the borrower under the first lien revolving credit agreement, the issuer of the second lien secured notes, and the issuer of four series of unsecured notes, all as further described herein. EGC also maintains the Company's main operating bank account.

15. EPL is the issuer of certain unsecured notes and the borrower on the EPL sub-facility of the first lien revolving credit agreement. EPL's subsidiaries are guarantors on the EPL sub-facility. EGC and its subsidiaries also are guarantors on the EPL sub-facility of the first lien revolving credit agreement. EPL and its subsidiaries do not, however, guaranty EGC's obligations under the first lien revolving credit agreement, EGC's second lien secured notes, or EGC's unsecured notes.

C. The Debtors' Assets and Operations

1. Operations

16. The Company is primarily an oil-focused company, with more than 740,000 acres of leasehold interests.

17. To that end, the Company owns and operates nine of the largest GoM Shelf oil fields ranked by total production: the West Delta 73 Field, the West Delta 30 Field, the South Timbalier 54 Field, the Grand Isle 16/18 Fields, the Main Pass 61/78 Fields, the Ship Shoal 208 Field, the South Pass 49 Field, the South Pass 78 Field, and the South Timbalier 21/54 fields.

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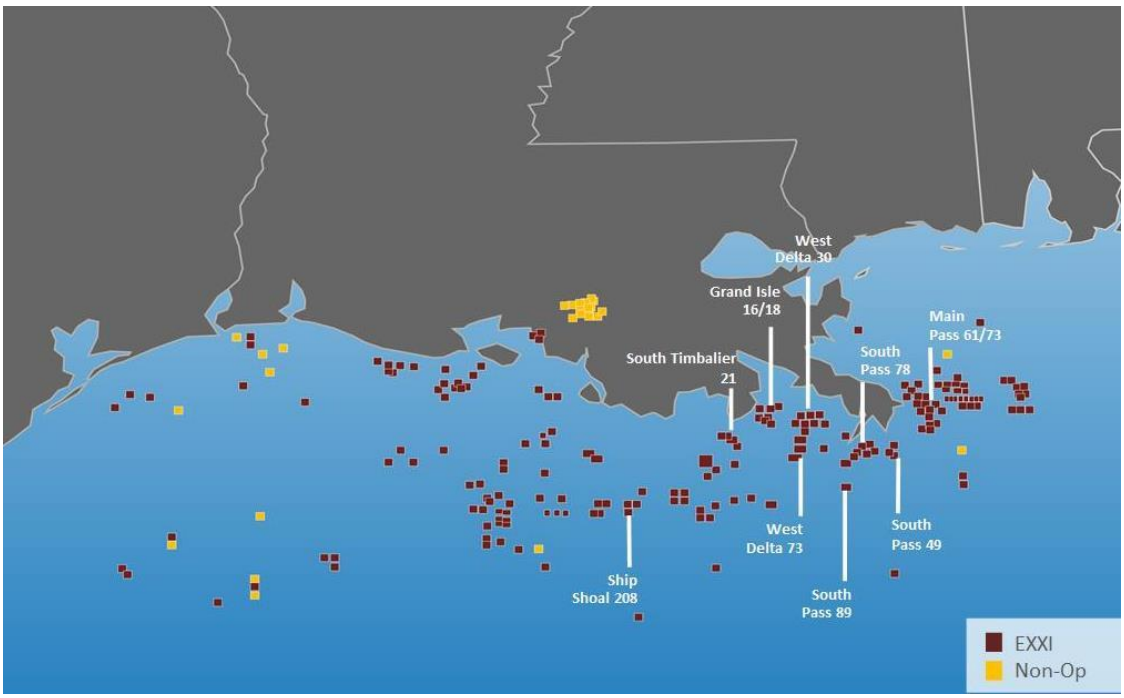
under the lease in order to allow for GIGS, as tenant, to continue to operate the Grand Isle Gathering System.

EXXI M21K is a joint venture in which the Company has a 20% stake. EXXI M21K previously held the Company's M21K assets, but Energy XXI GOM, LLC acquired all of these assets in August 2015. EXXI M21K is not a borrower, issuer, or guarantor on any of the Company's funded debt obligations.

The non-debtor Bermudan subsidiaries, Energy XXI Insurance Limited, Energy XXI International Limited, Energy XXI Malaysia Limited, and Energy XXI (US Holdings) Limited, do not have any assets in the United States and are not borrowers, issuers, or guarantors on any of the Company's debt obligations.

These fields, as well as the Company's other interests, are highlighted on the map below. Additional detail on the Company's major oil fields is provided on **Exhibit C** attached hereto.



18. Because the Company operates approximately 97% of its proved reserves, it is able to exercise significant control over the optimization of production, the timing and amount of capital expenditures, as well as the costs of its projects. Further, the Company's geographic concentration in the GoM Shelf enables the Company to realize cost synergies and more efficiently service its operations.

19. The Company markets substantially all of the oil and natural gas production from the properties it operates. The majority of this production is sold to a variety of purchasers under short-term contracts (less than 12 months) at market-based prices. The Company's largest customers—Shell Trading Company, Chevron USA, and Trafigura Trading, LLC—account for approximately 75% of the Company's total oil and natural gas revenues.

20. Because the Company's revenues from production are driven largely by market-based prices, the Company historically has entered into hedging transactions to protect against

fluctuations in commodity prices. These transactions have included pricing collars (a combination put and call option that locks in a fixed price range), puts and put spreads, and swap transactions. For the calendar year 2016, the Company had entered into oil price collars covering 14,000 barrels per day, as well as monthly three-way natural gas collars. These hedging transactions were terminated and monetized in March 2016 in connection with the waiver and amendment to the first lien credit agreement described herein. As of the Petition Date, the Company does not have any open hedge transactions.

2. Outer Continental Shelf Regulations

21. The Company's operations on the GoM Shelf include a substantial number of oil and gas leases issued by the U.S. Department of the Interior. Operation of these leases is subject to regulation by the Bureau of Ocean Energy Management ("***BOEM***") and the Bureau of Safety and Environmental Enforcement ("***BSEE***"), and requires compliance with BOEM and BSEE regulations and orders issued pursuant to various federal laws, including the Outer Continental Shelf Lands Act. For offshore operations, lessees must obtain BOEM approval for exploration, development and production plans prior to the commencement of such operations. In addition to permits required from other agencies such as the U.S. Environmental Protection Agency, lessees must obtain a permit from BSEE prior to commencing drilling and comply with regulations governing, among other things, engineering and construction specifications for production facilities, safety procedures, plugging and abandonment of wells on the Outer Continental Shelf (the "***OCS***"), and removal of infrastructure facilities.

22. To cover the various obligations of lessees on the OCS, such as the cost to plug and abandon wells and decommission and remove platforms and pipelines at the end of production, BOEM generally requires that lessees post substantial bonds or provide other acceptable assurances that such obligations will be met, unless BOEM exempts the lessee from

such financial assurance requirements. In order to demonstrate its financial capability and provide assurances to BOEM, the Company is required to, among other things, provide surety bonds. As of the Petition Date, the Debtors have approximately $388 million in outstanding surety bonds, of which approximately $226 million are lease and/or area bonds issued to BOEM. Additionally, Energy XXI GOM, LLC has delivered $225 million in issued, undrawn letters of credit in favor of Exxon Mobil Corporation ("***Exxon***"), the purpose of which is to guarantee any actual plugging and abandonment expenditures with respect to certain properties that Energy XXI GOM, LLC purchased from Exxon.[7] Because the Company would be unable to operate its federal leases without satisfying its bonding obligations to BOEM, the Company's surety bond program is vitally important to its operations.

23. As more fully described herein, in April 2015, the Company received letters from BOEM stating that certain of its subsidiaries no longer qualified for the waiver of certain supplemental bonding requirements for potential offshore decommissioning and plugging and abandonment liabilities, and instead would be required to develop a tailored, long-term financial assurance plan to satisfy BOEM's new Notice to Lessees, or NTL, regarding financial assurances. The letters notified the Company that certain of its subsidiaries would be required to provide approximately $1.0 billion in supplemental financial assurance and/or bonding for their offshore oil and gas leases, rights-of-way, and rights-of-use and easements. Further informal later communications from BOEM stated that additional supplemental financial assurance or bonding may be required.

[7] Under a purchase and sale agreement dated December 1, 2010, Energy XXI GOM, LLC was required to deliver to Exxon three $75 million letters of credit to guarantee Energy XXI GOM, LLC's plugging and abandonment obligations with respect to the purchased properties. These letters of credit renew automatically every year for additional one-year terms, unless the issuing bank notifies Exxon and Energy XXI GOM, LLC at least 90 days prior to the end of the current term that it does not wish to extend the term of the letter of credit.

24. In response, the Company engaged in significant discussions and negotiations with BOEM over the next ten months regarding an appropriate long-term financial assurance plan and submitted multiple proposed long-term plans. The Company's discussions with BOEM culminated in the Company's submission of a long-term financial assurance plan to BOEM for approval on February 2, 2016, which BOEM accepted on February 25, 2016. The long-term plan does not require any immediate additional bonding. Prior to July 1, 2016, however, the Company must develop a plan with respect to certain properties with co-lessees, as well as comply with certain other insurance and financial security obligations.

25. It is anticipated that the Debtors will assume all of their OCS mineral leases from BOEM (and will not seek to abandon any OCS leases), and as adequate assurance for the BOEM lease assumption, the Debtors will continue to (a) fund and perform plugging and abandonment work as contemplated in their idle iron plan and (b) perform their obligations under the long range plan agreed to between the Company and BOEM in February of 2016 during the pendency of the chapter 11 cases and in connection with consummation of the Restructuring (as defined in the Term Sheet referenced in Section II below).

3. Assets

26. As of December 31, 2015, the Company reported total assets of approximately $1.76 billion on its unaudited consolidated balance sheets, of which approximately $534.2 million were current assets. The remaining $1.23 billion in reported assets related primarily to oil and gas properties, other property and equipment, restricted cash, and other assets. The Company reported consolidated net losses of approximately $1.31 billion for the three months ended December 31, 2015. As a result, the Company has filed a motion seeking to restrict stock trading so as to protect its net operating losses.

D. Energy XXI's Capital Structure

27. As of the Petition Date, the Company's liabilities totaled approximately $2.9 billion. As described in detail below, as of the Petition Date, the Company's significant funded debt obligations include:

($ in millions)	Maturity	Interest Rate	Approx. Amount Outstanding
EGC			
Revolving Credit Facility	April 2018[8]	6.25%	—[9]
Second Lien Notes	March 2020	11.00%	$1,450
9.25% Senior Notes	December 2017	9.25%	$249
7.75% Senior Notes	June 2019	7.75%	$101
7.50% Senior Notes	December 2021	7.50%	$238
6.875% Senior Notes	March 2024	6.875%	$144
EPL			
Revolving Credit Facility	April 2018[10]	6.25%	$99
8.25% Senior Notes	February 2018	8.25%	$214
Energy XXI[11]			
3.00% Convertible Notes	December 2018	3.00%	$363

1. Secured Debt

a. Revolving Credit Facility.

28. The Company maintains a reserve-based revolving credit facility under the Second Amended and Restated First Lien Credit Agreement dated as of May 5, 2011 (as amended, the "***First Lien Credit Agreement***") between EGC, EPL, the lenders party thereto (the

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8 The First Lien Credit Agreement (as defined below) includes a springing maturity to May 2017 if the 9.25% Senior Notes remain outstanding as of that date, and to July 2017 if the EPL 8.25% Senior Notes remain outstanding as of that date.

9 There are undrawn letters of credit issued under the Revolving Credit Facility (as defined below) totaling approximately $227.7 million. The annual fee rate on the amount of undrawn letters of credit outstanding is 3.75%, payable quarterly.

10 *See* n.8, *supra*.

11 In September 2012, Energy XXI Holdings, Inc. ("***EXXI Holdings***") entered into a 4.14% promissory note of $5.5 million (the "***4.14% Promissory Note***") to acquire certain property and equipment. The terms of the 4.14% Promissory Note require EXXI Holdings to make monthly payments of approximately $52,000 and a lump-sum payment of $3.3 million at maturity in October 2017. The 4.14% Promissory Note carries an interest rate of 4.14% per annum. The approximately $4.0 million of outstanding principal under the 4.14% Promissory Note is included in the total liabilities but not separately reflected in the debt obligations chart.

"***First Lien Lenders***"), and Wells Fargo Bank, N.A., as administrative agent (the "***First Lien Agent***"). The First Lien Credit Agreement has been amended 14 times, most recently on March 14, 2016.

29. The reserve-based revolving credit facility (the "***Revolving Credit Facility***"), under the First Lien Credit Agreement, as amended, has a maximum facility amount and borrowing base of approximately $327.1 million. Approximately $99.4 million of the total borrowing base is allocated to the sub-facility established for EPL under the First Lien Credit Agreement.[12] The remaining approximately $227.7 million borrowing base at EGC is undrawn, but committed for issued and outstanding undrawn letters of credit. Accordingly, as of the Petition Date, there is no availability to draw on the Revolving Credit Facility. The Revolving Credit Facility bears interest on the funded amount at a base rate of 6.25%.

30. EGC's obligations under the Revolving Credit Facility are guaranteed by each of EGC's subsidiaries, other than EPL and its subsidiaries, and Energy XXI USA, Inc. on a limited recourse basis. EPL's obligations under the Revolving Credit Facility are guaranteed by EGC and each of its subsidiaries (other than EPL itself), and Energy XXI USA, Inc. on a limited recourse basis. The Revolving Credit Facility generally is secured by a first priority lien and security interests on substantially all assets and capital stock of EGC and its subsidiaries (except that EPL and its subsidiaries do not provide security for EGC's obligations, only EPL's obligations), including a security interest in EGC's cash on hand and real property mortgages on at least 90% of the value of each of the proved reserves and proved developed producing reserves of EGC and its subsidiaries. Additionally, as a result of the Twelfth Amendment to the

[12] The Fourteenth Amendment and Waiver to Second Amended and Restated First Lien Credit Agreement, effective as of March 14, 2016, required the termination of certain hedge transactions between EGC and certain of the First Lien Lenders. The proceeds of the terminations were required to be applied to outstanding EPL borrowings and reduce the borrowing base under the EPL sub-facility.

First Lien Credit Agreement, EPL is required to maintain $30 million of restricted cash in an account subject to a control agreement in favor of the First Lien Agent under the First Lien Credit Agreement. The Company has agreed not to use the $30 million in restricted cash absent further Court order during the course of the chapter 11 cases.

b. Second Lien Notes

31. On March 12, 2015, EGC issued $1.45 billion aggregate principal amount of 11.0% senior secured second lien notes due March 15, 2020 (the "***Second Lien Notes***"), which were issued at 96.313% of par, resulting in original issue discount of approximately $53.5 million. The Second Lien Notes were issued under the Indenture dated March 12, 2015 (the "***Second Lien Notes Indenture***"), among EGC, as issuer, the guarantors, and U.S. Bank National Association, as trustee. Proceeds of the Second Lien Notes issuance were used to reduce outstanding borrowings under the Revolving Credit Facility, including through funding an Intercompany Note (as defined below) to EPL to allow EPL to repay $325 million outstanding under the EPL tranche of the Revolving Credit Facility, and for general corporate purposes, including funding a portion of the Company's capital expenditure program for fiscal years 2015 and 2016.

32. Interest under the Second Lien Notes is payable semi-annually in March and September, subject to a 30-day grace period. EGC did not make the approximately $79.75 million interest payment on the Second Lien Notes due on March 15, 2016, and the grace period with respect to such payment was scheduled to expire at 10:00 a.m. Eastern Time on April 14, 2016.

33. The Second Lien Notes are guaranteed by Energy XXI, Energy XXI USA, Inc. on a limited recourse basis, MS Onshore, LLC, and Energy XXI GOM, LLC and its subsidiaries.

EPL and its subsidiaries are not guarantors of the Second Lien Notes.[13] The Second Lien Notes are secured by second-priority liens on substantially all assets of EGC and its subsidiaries (other than EPL and its subsidiaries) and all of Energy XXI USA, Inc.'s equity interests in EGC, in each case to the extent such assets secure the Revolving Credit Facility.

c. Intercompany Note

34. In connection with the offering of the Second Lien Notes, on March 12, 2015, EGC provided a $325.0 million secured second lien loan under a promissory note between EPL, as the maker, and EGC, as the payee (the "***Intercompany Note***"). Proceeds from the loan arising under the Intercompany Note were used by EPL to repay a portion of the then-outstanding borrowings under the EPL tranche of the Revolving Credit Facility. The Intercompany Note bears interest at an annual rate of 10%, has a maturity date of October 9, 2018, and is secured by a second priority lien on certain assets of EPL that secure EPL's obligations under the First Lien Credit Agreement. Neither the Revolving Credit Facility nor the Second Lien Notes are secured by a lien on the Intercompany Note.

d. Intercreditor Agreements

35. The relationship and relative payment priorities among the First Lien Lenders and the holders of the Second Lien Notes (the "***Second Lien Noteholders***") are subject to that certain Intercreditor Agreement, dated as of March 12, 2015 (the "***Intercreditor Agreement***") between Wells Fargo Bank, N.A., as priority lien agent, and U.S. Bank National Association, as second

[13] Under the Second Lien Notes Indenture, EPL and its subsidiaries would be required to provide guarantees of the Second Lien Notes obligations if (a) the EPL Unsecured Notes (as defined below) were to be repaid in full and EPL and its subsidiaries became guarantors of the Revolving Credit Facility, or (b) in connection with certain amendments to the indenture governing the EPL Unsecured Notes. For the avoidance of doubt, none of these events occurred prior to the Petition Date.

lien collateral trustee (the "***Second Lien Trustee***").[14] The Intercreditor Agreement, among other things, provides that the liens and security interests of the Second Lien Noteholders and the Second Lien Trustee are junior and subordinate to the liens and security interests of the First Lien Lenders and the First Lien Agent. The Intercreditor Agreement also governs and limits the rights and remedies of the Second Lien Noteholders and Second Lien Trustee so long as obligations under the First Lien Credit Agreement remain outstanding, including barring any actions by the Second Lien Lenders or Second Lien Trustee to enforce its rights or remedies with respect to any collateral. Additionally, the First Lien Agent consents to the Debtors' use of cash collateral, and the Second Lien Noteholders and Second Lien Trustee's consent is subject to the terms of the Intercreditor Agreement.

36. The relationship and relative payment priorities among the First Lien Lenders and EGC, as payee under the Intercompany Note, are subject to that certain Intercreditor Agreement, dated as of March 12, 2015 (the "***Intercompany Intercreditor Agreement***") between Wells Fargo Bank, N.A., as priority lien agent, and EGC.[15] The Intercompany Intercreditor Agreement, among other things, provides that the liens and security interests of EGC on the assets of EPL are junior and subordinate to the liens and security interests of the First Lien Lenders and the First Lien Agent. The Intercompany Intercreditor Agreement also governs and limits the rights and remedies of EGC so long as obligations under the First Lien Credit Agreement remain outstanding, including barring any actions by EGC to enforce its rights or remedies with respect to any collateral.

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[14] The Royal Bank of Scotland plc was the original priority lien agent under the Intercreditor Agreement, but was replaced by Wells Fargo Bank, N.A. on March 31, 2015 pursuant to a Master Assignment Agreement among The Royal Bank of Scotland plc, Wells Fargo Bank, N.A., EGC, and EPL.

[15] The Royal Bank of Scotland plc was the original priority lien agent under the Intercreditor Agreement, but was replaced by Wells Fargo Bank, N.A. on March 31, 2015 pursuant to a Master Assignment Agreement among The Royal Bank of Scotland plc, Wells Fargo Bank, N.A., EGC, and EPL.

e. Unencumbered Assets

37. The First Lien Lenders and Second Lien Noteholders do not have security interests in all of the Company's assets. In particular, certain assets are either not part of the collateral package for either the First Lien Lenders or Second Lien Noteholders, are part of the collateral package, but such interest has not been perfected, or are assets pledged to other entities as collateral. These unencumbered assets include (a) the Intercompany Note, which is not part of the First Lien Lenders' or Second Lien Noteholders' collateral package; (b) approximately $22.3 million in cash deposited in accounts that are not part of the collateral package; (c) certain real property interests not subject to mortgages or otherwise not perfected; (d) commercial tort claims (if any), security interests in which have not been perfected; and (e) other personal property that is not part of the First Lien Lenders' or Second Lien Noteholders' collateral package.

2. Unsecured Debt

a. 9.25% Senior Notes due 2017

38. On December 17, 2010, EGC issued $750 million in aggregate principal amount of 9.25% senior unsecured notes due December 15, 2017 (the "***9.25% Senior Notes***"). The 9.25% Senior Notes were issued under the Indenture dated December 17, 2010 (the "***9.25% Senior Notes Indenture***"), among EGC, the guarantors, and Wilmington Trust, N.A., as successor trustee.[16] On July 8, 2011, EGC completed an offer to exchange the 9.25% Senior Notes with a new series of freely tradable notes having substantially identical terms as the 9.25% Senior Notes.

39. Interest under the 9.25% Senior Notes is payable semi-annually in June and December, subject to a 30-day grace period. The 9.25% Senior Notes are fully and

[16] Wells Fargo Bank, N.A. was the original trustee under the EGC Unsecured Notes (as defined below) and Energy XXI's senior convertible notes, but was replaced by Wilmington Trust, N.A. on March 30, 2016.

unconditionally guaranteed on an unsecured basis by Energy XXI and EGC's subsidiaries, other than EPL and its subsidiaries. As of the Petition Date, a total of approximately $249.45 million in face amount of the 9.25% Senior Notes was outstanding.

b. 7.75% Senior Notes due 2019

40. On February 25, 2011, EGC issued $250 million in aggregate principal amount of 7.75% senior unsecured notes due June 15, 2019 (the "***7.75% Senior Notes***"). The 7.75% Notes were issued under the Indenture dated February 25, 2011 (the "***7.75% Senior Notes Indenture***"), among EGC, the guarantors, and Wilmington Trust, N.A., as successor trustee. On July 7, 2011, EGC completed an offer to exchange the 7.75% Senior Notes with a new series of freely tradable notes having substantially identical terms as the 7.75% Senior Notes.

41. Interest under the 7.75% Senior Notes is payable semi-annually in June and December, subject to a 30-day grace period. The 7.75% Senior Notes are fully and unconditionally guaranteed on an unsecured senior basis by Energy XXI and certain of EGC's subsidiaries, other than EPL and its subsidiaries. As of the Petition Date, a total of approximately $101.08 million in face amount of the 7.75% Senior Notes was outstanding.

c. 7.50% Senior Notes due 2021

42. On September 26, 2013, EGC issued $500 million in aggregate principal amount of 7.50% senior unsecured notes due December 15, 2021 (the "***7.50% Senior Notes***"). The 7.50% Senior Notes were issued pursuant to the Indenture dated September 26, 2013 (the "***7.50% Senior Notes Indenture***"), among EGC, the guarantors, and Wilmington Trust, N.A., as successor trustee. On May 23, 2014, EGC completed an offer to exchange the 7.50% Senior Notes with a new series of freely tradable notes having substantially identical terms as the 7.50% Senior Notes.

43. Interest under the 7.50% Senior Notes is payable semi-annually in June and December, subject to a 30-day grace period. The 7.50% Senior Notes are fully and unconditionally guaranteed on an unsecured senior basis by Energy XXI and certain of EGC's subsidiaries, other than EPL and its subsidiaries. As of the Petition Date, a total of approximately $238.07 million in face amount of the 7.50% Senior Notes was outstanding.

d. 6.875% Senior Notes due 2024

44. On May 27, 2014, EGC issued $650 million in aggregate principal amount of 6.875% senior unsecured notes due March 15, 2024 (the "***6.875% Senior Notes***," and together with the 9.25% Senior Notes, 7.75% Senior Notes, and 7.50% Senior Notes, the "***EGC Unsecured Notes***"). The 6.875% Notes were issued pursuant to the Indenture dated May 27, 2014 (the "***6.875% Senior Notes Indenture***"), among EGC, the guarantors, and Wilmington Trust, N.A., as successor trustee. On June 1, 2015, EGC completed an offer to exchange the 6.875% Senior Notes with a new series of freely tradable notes having substantially identical terms as the 6.875% Senior Notes.

45. Interest under the 6.875% Senior Notes is payable semi-annually in March and September, subject to a 30-day grace period. EGC did not make the approximately $4.95 million interest payment on the 6.875% Senior Notes due on March 15, 2016, and the grace period with respect to such payment expired at 10:00 a.m. Eastern Time on April 14, 2016.

46. The 6.875% Senior Notes are fully and unconditionally guaranteed on an unsecured senior basis by Energy XXI and certain of EGC's subsidiaries, other than EPL and its subsidiaries. As of the Petition Date, a total of approximately $143.99 million in face amount of the 6.875% Senior Notes was outstanding.

e. 8.25% Senior Notes due 2018

47. On June 3, 2014, at the time of the EPL acquisition, the Company added EPL's pre-existing $510 million in aggregate principal amount of 8.25% senior unsecured notes due February 15, 2018 (the "***EPL Unsecured Notes***") under the Indenture dated as of February 14, 2011 (the "***EPL Indenture***") to its capital structure. On April 18, 2014, EPL entered into a supplemental indenture (the "***Supplemental EPL Indenture***") to the EPL Indenture, among EPL, the guarantors party thereto, and U.S. Bank National Association, as trustee. EPL entered into the Supplemental EPL Indenture after the receipt of the requisite consents from the holders of the EPL Unsecured Notes in accordance with the Supplemental EPL Indenture. The Supplemental EPL Indenture amended the terms of the EPL Indenture to waive EPL's obligation to make and consummate an offer to repurchase the 8.25% Senior Notes at 101% of the principal amount thereof plus accrued and unpaid interest.

48. Interest under the EPL Unsecured Notes is payable semi-annually in February and August, subject to a 30-day grace period. As outlined below, EPL entered the grace period with respect to the approximately $8.83 million interest payment on the EPL Unsecured Notes due on February 15, 2016, but made the interest payment on March 15, 2016, prior to the expiration of the 30-day grace period.

49. The EPL Unsecured Notes are fully and unconditionally guaranteed on an unsecured senior basis by EPL's existing and future subsidiaries. As of Petition Date, a total of approximately $213.68 million in face amount of the EPL Unsecured Notes was outstanding.

f. 3.0% Senior Convertible Notes due 2018

50. On November 22, 2013, Energy XXI completed an offering of $400 million in aggregate principal amount of 3.0% senior convertible notes due on December 15, 2018 (the "***Convertible Notes***"). The Convertible Notes were issued pursuant to the Indenture dated

November 22, 2013 (the "***Convertible Notes Indenture***"), among Energy XXI and Wilmington Trust, N.A., as successor trustee.

51. The Convertible Notes are convertible into cash, shares of common stock, or a combination of cash and shares of common stock, at the election of Energy XXI, based on an initial conversion rate of 24.7523 shares of common stock per $1,000 principal amount of the Convertible Notes. The conversion rate, and accordingly the conversion price, may be adjusted under certain circumstances as described in the Convertible Notes Indenture.

52. Prior to the Petition Date, certain holders of the Convertible Notes exercised their conversion rights and Energy XXI elected to convert their Convertible Notes into shares of common stock.[17] As of the Petition Date, a total of approximately $363.02 million in face amount of the Convertible Notes was outstanding.

3. Other Significant Obligations

a. Performance Bonds

53. As a lessee and operator of oil and natural gas leases on the GoM Shelf, including under various oil and gas leases issued by the U.S. Department of the Interior, the Company must comply with, among other things, rules and regulations promulgated by BOEM. In particular, the Company must establish its financial capability to comply with such regulations, including the ability to pay royalties and satisfy plugging and abandonment obligations. In order to demonstrate its financial capability and provide assurances to BOEM, the Company is required to provide surety bonds. As of the Petition Date, the Debtors have approximately $388 million in outstanding surety bonds, of which approximately $226 million are lease and/or area

[17] As of the Petition Date, approximately, $36.98 million in principal amount of the Convertible Notes has been converted into 915,285 newly issued shares of Energy XXI's common stock.

bonds issued to BOEM.[18] In connection with these bonds, certain of the Company's sureties have required collateral to be posted pursuant to the terms of certain indemnity agreements between the sureties and the Company. As of the Petition Date, the Company has posted collateral totaling approximately $41.75 million. Because the Company would be unable to operate its federal leases without satisfying its bonding obligations to BOEM, the Company's surety bond program is vitally important to its operations.

54. In April 2015, the Company received letters from BOEM stating that certain of its subsidiaries no longer qualified for the waiver of certain supplemental bonding requirements for potential offshore decommissioning and plugging and abandonment liabilities, and instead would be required to develop a tailored, long-term financial assurance plan to satisfy BOEM's new Notice to Lessees, or NTL, regarding financial assurances. The letters notified Energy XXI that certain of its subsidiaries would be required to provide approximately $1.0 billion in supplemental financial assurance and/or bonding for their offshore oil and gas leases, rights-of-way, and rights-of-use and easements. In June 2015, the Company reached an interim agreement with BOEM, whereby it provided $150.0 million of supplemental bonds issued to BOEM.

55. In October 2015, the Company received information from BOEM indicating that the Company could receive additional demands of supplemental financial assurance for amounts in addition to the $1.0 billion initially sought by the BOEM in April 2015, primarily relating to certain properties that were no longer exempt from supplemental bonding as a result of co-lessees losing their exemptions. After receiving this additional information from BOEM in October 2015, the Company had a series of discussions and exchanges of information with BOEM on the long-term financial assurance plan. In November 2015, Energy XXI submitted an initial proposal for a long-term plan to BOEM, and received a counter proposal at the end of the

[18] The remaining approximately $162 million are performance bonds issued to other third-party obligees.

month. While the Company continued to work with BOEM on a long-term plan, the Company provided an additional $21 million of supplemental bonds to BOEM in December 2015.

56. The Company's discussions with BOEM culminated in the Company's submission of an updated version of the long-term financial assurance plan to BOEM for approval on February 2, 2016. BOEM accepted the revised plan on February 25, 2016. The long-term plan does not require any immediate additional bonding, but prior to July 1, 2016 the Company must develop a plan with respect to certain properties with co-lessees, as well as comply with certain other insurance and financial security obligations.

57. It is anticipated that the Debtors will continue to (a) fund and perform plugging and abandonment work as contemplated in their Iron Idle Plan and (b) perform their obligations under that certain Long Range Plan agreed to between the Company and BOEM and dated February 29, 2016 during the pendency of the chapter 11 cases and in connection with consummation of the Restructuring.

4. Preferred and Common Stock

a. Preferred Stock

58. As of the Petition Date, Energy XXI has issued and outstanding approximately 692,250 shares of 5.625% Perpetual Convertible Preferred Stock (the "***5.625% Preferred Stock***") and approximately 3,000 shares of 7.25% Perpetual Convertible Preferred Stock (the "***7.25% Preferred Stock***" and together with the 5.625% Preferred Stock, the "***Preferred Stock***"). Dividends on both the 5.625% Preferred Stock and 7.25% Preferred Stock are payable quarterly and may be paid in cash, shares of common stock, or a combination thereof. And, in the event of a liquidation, winding-up, or dissolution of Energy XXI, holders of the Preferred Stock are entitled to receive a liquidation preference of $250 and $100 per share, respectively, plus any accumulated or accrued dividends to be paid out of the assets of Energy XXI available for

distribution before any payment is made to Energy XXI's common stockholders. Energy XXI suspended the quarterly dividends on its Preferred Stock for the quarter ended March 31, 2016 and, as a result, no dividends for the fiscal third quarter were paid to holders of the Preferred Stock.

b. Common Stock

59. Energy XXI is a publicly held company listed on the NASDAQ Global Select Market ("***NASDAQ***") under the symbol "EXXI." Trading of Energy XXI stock on NASDAQ began in August 2007. Beginning on January 11, 2016, Energy XXI's common stock has traded on NASDAQ at less than $1.00 per share. On February 24, 2016, Energy XXI received a deficiency notice from NASDAQ notifying Energy XXI that, based upon the closing bid price of the its common stock for the last 30 consecutive business days, the stock did not meet the minimum bid price of $1.00 per share required by NASDAQ Listing Rule 5450(a)(1), initiating an automatic 180 calendar-day grace period for Energy XXI to regain compliance. If Energy XXI does not regain compliance with the minimum bid requirement by August 22, 2016, Energy XXI's stock may be delisted from NASDAQ.

60. As of the Petition Date, Energy XXI has 97,507,056 outstanding shares of common stock, par value $0.005 per share.

II. EVENTS LEADING TO CHAPTER 11 CASES

A. Commodities Downturn and Industry Distress

61. The Company's revenue streams, earnings, and cash flows have been significantly impacted by the sustained decrease in commodity prices since the second-half of calendar year 2014. The scale of the oil price decline cannot be overstated. Indeed, since July 2014, NYMEX-WTI oil prices have dropped nearly 65%—from approximately $105 a barrel as of July 1, 2014

to $36.79 a barrel as of April 1, 2016.[19] Over the same period, Henry Hub spot prices for natural gas fell from approximately $4.45 per MMBtu to below $1.96 per MMBtu.[20]

62. These market conditions have affected oil and gas companies at every level, but exploration and production ("***E&P***") companies have been hit particularly hard. In the United States, 35 E&P companies, with cumulative debt of nearly $18 billion, filed for bankruptcy protection between July 2014 and December 2015.[21] And, since the start of the year, several more independent E&P companies have filed for chapter 11, including, among others, Antero Energy Partners, LLC, Emerald Oil, Inc., New Source Energy Partners, LP, Osage Exploration and Development, Inc., and Venoco, Inc.

63. With the continued market instability, numerous E&P companies have been forced to stop drilling new wells—the core of an E&P company's business—and cut capital expenditures, as it is not economically feasible to undertake capital intensive projects at current prices.[22] Others have been forced to sell off assets at severe discounts, or even stop operations altogether. As outlined below, the Company has taken proactive steps to stave off such an outcome. Notwithstanding the Company's proactive initiatives, however, the Company along with the independent directors at EGC and EPL have determined that commencing chapter 11 cases to implement the restructuring contemplated by the RSA will maximize value for its stakeholders.

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19 Source: Bloomberg.

20 *Id.*

21 *See* DELOITTE CENTER FOR ENERGY SOLUTIONS, THE CRUDE DOWNTURN FOR EXPLORATION & PRODUCTION COMPANIES 4 (2016), *available at* http://www.deloitte.com/ru/en/pages/energy-and-resources/articles/2016/the-crude-downturn-exploration-production.html#.

22 *See, e.g.*, Tess Stynes, *Anadarko Slashes Capital Spending Budget for 2016*, WALL STREET J., Mar. 1, 2016, http://www.wsj.com/articles/anadarko-slashes-capital-spending-budget-for-2016-1456846896.

B. Efforts to Boost Liquidity

64. The Company initiated a series of operational and financial actions in reaction to the substantial and rapid decline of commodity prices, and with the goal of improving its liquidity position. These initiatives included:

- issuing the Second Lien Notes to reduce certain funded debt obligations and add incremental liquidity to the Company's balance sheet;
- revising the original budget for the fiscal year ended June 30, 2015 of $850-$950 million (established in July 2014) several times between November 2014 and the fourth fiscal quarter to $640-$660 million.[23]
- reducing the fiscal year 2016 capital budget to a planned amount of $130-$150 million, as compared to actual capital expenditures in fiscal year 2015 (excluding acquisition activity) of approximately $649 million;
- reducing field level operating costs, and bringing lease operating costs per barrel down by 34% from first quarter of fiscal year 2015 to second quarter of fiscal year 2016;
- suspending dividends on common stock;
- exploring various exchange offer opportunities;
- executing non-disclosure agreements and participating in discussions with numerous financial investors regarding potential out-of-court third-party financing or refinancing transactions; and
- negotiating with the First Lien Lenders for temporary relief from certain financial covenants under the First Lien Credit Agreement.

65. In June 2015, the Company also completed two asset sale transactions. First, on June 30, 2015, the Company sold the Grand Isle Gathering System (the "***GIGS***") for $245 million in cash, plus the assumption of an estimated $12.5 million asset retirement obligation associated with the decommissioning costs of the GIGS. In connection with the closing of the sale, the Company entered into a triple-net lease with Grand Isle Corridor, LP pursuant to which

[23] Energy XXI's fiscal year runs from July 1 to June 30 of each year. The Company is currently in the fourth quarter of fiscal year 2016.

the Company continues to operate the GIGS. As described above, the counterparty to the GIGS lease, Energy XXI GIGS Services, LLC is a not debtor in these chapter 11 cases. Second, on June 30, 2015, the Company sold its interest in the East Bay field to Whitney Oil & Gas Corp. for cash consideration of $21 million, plus the assumption by the buyer of asset retirement obligations totaling approximately $55.1 million. The Company retained a limited overriding royalty interest on such interest, and further retained 50% of the deep rights associated with the East Bay field.

66. Additionally, the Company, through EGC, repurchased a significant portion of its outstanding EGC Unsecured Notes and EPL Unsecured Notes (together, the "***Unsecured Notes***") in a series of open market transactions. From July 1, 2015 through December 31, 2015, the Company repurchased and canceled approximately $976.0 million of Unsecured Notes in a series of open market transactions at a total cost of approximately $213.1 million. The Company recorded a gain on the repurchases totaling approximately $748.6 million, net of associated debt issuance costs and certain other expenses. After December 31, 2015, the Company repurchased approximately $737.7 million of Unsecured Notes in open market transactions at a total price of approximately $19.2 million, including $16.4 million of accrued interest.

C. Hiring Advisors and Interacting with the Ad Hoc Second Lien Committee

67. Given the uncertainty regarding future commodity prices, continued price declines, and the Company's unsustainable capital structure, Energy XXI's board of directors (the "***Board***") determined to hire PJT Partners LP ("***PJT***") and Vinson & Elkins LLP ("***V&E***") in February 2016 to explore additional strategic alternatives. In March 2016, as the Debtors continued to evaluate all options and alternatives, the Debtors hired Opportune LLP as restructuring advisor. At this time, the Company and its advisors also began discussions with the First Lien Lenders and certain Second Lien Noteholders.

68. With the help of its advisors, the Company employed several additional strategies to ensure that its businesses were best positioned to compete in the offshore E&P industry going forward. To achieve an orderly restructuring and maximize the value of its businesses, the Company and its advisors took a series of steps in a coordinated manner leading up to the filing of these chapter 11 cases. Several such steps are described below.

1. February 16 Interest Payment

69. The Company, together with its advisors, continued to analyze potential restructuring solutions throughout February 2016, and was engaged in discussions with various parties to implement strategies that would strengthen the Company's balance sheet. In conjunction with these efforts, the Company, the Board, and EPL's board of directors elected not to make an approximately $8 million interest payment that was due on February 16, 2016 under the EPL Indenture, commencing a 30-day grace period. No significant holders of the EPL Unsecured Notes, other than those holders who also held Second Lien Notes, reached out to the Company in connection with the Company's decision not to make the interest payment and to enter the grace period.

70. While the Company had ample cash on hand to make the February interest payment, the Board ultimately chose to enter the grace period because it believed it was in the best interests of the Company and its stakeholders to continue discussions with its debtholders regarding long-term restructuring solutions.

2. First Lien Credit Agreement Waiver

71. The First Lien Credit Agreement requires the Company to deliver a compliance certificate within 60 days of the end of each fiscal quarter, confirming, among other things, that the Company is "Solvent" (as defined in the First Lien Credit Agreement). The Company had significant doubts as to whether it would be able to deliver such a compliance certificate in

respect of financials for the quarter ended December 31, 2015. Accordingly, the Company and its advisors engaged with the First Lien Agent and its advisors regarding a potential waiver of the requirement to deliver the compliance certificate.

72. After extensive discussions, the First Lien Lenders and First Lien Agent agreed to grant a limited waiver, and in consideration thereof requested certain amendments to the First Lien Credit Agreement. On February 29, 2016, EGC, EPL, the First Lien Lenders, and the First Lien Agent executed the Thirteenth Amendment and Waiver to Second Amended and Restated First Lien Credit Agreement (the "***Waiver***"). Under the Waiver, the requirement that the Company deliver the compliance certificate was waived until the earlier of (a) March 14, 2016, (b) the date on which EGC or EPL fails to comply with the conditions set forth in the Waiver, or (c) the occurrence of an Event of Default (as defined in the First Lien Credit Agreement), other than as a result of the failure to pay the February 16 interest payment on the EPL Unsecured Notes. Additionally, the Waiver (a) prohibited EGC and EPL from borrowing under the First Lien Credit Agreement on or before March 15, 2016, (b) required that funds held in securities accounts with certain First Lien Lenders be deposited into accounts with existing control agreements in place, and (c) allowed EGC and EPL to obtain replacement letters of credit under the First Lien Credit Agreement without satisfying such agreement's credit extension conditions, subject to certain exceptions.

73. Obtaining the Waiver was crucial to the Company's restructuring efforts because failure to deliver the compliance certificate would have been an immediate event of default under the First Lien Credit Agreement, permitting the First Lien Agent or First Lien Lenders holding more than 67% of the outstanding loans to accelerate the Revolving Credit Facility. In turn,

acceleration of the Revolving Credit Facility would have resulted in a cross-default under the indentures governing the Second Lien Notes, Unsecured Notes, and Convertible Notes.

3. Restructuring Negotiations

74. With the Waiver in place, the Company focused its efforts on discussions with the Second Lien Noteholders and First Lien Lenders regarding a comprehensive restructuring solution that would significantly deleverage the Company's balance sheet and maximize value for all stakeholders. The Company and its advisors held initial meetings with the advisors to the Second Lien Noteholders in mid-February and quickly provided extensive diligence materials, including detailed information on the Company's operations and financials.

75. As discussions progressed with the advisors, the Company negotiated confidentiality agreements with certain holders of Second Lien Notes (the "***Ad Hoc Committee***")[24] so that principals could engage in direct negotiations and diligence. These agreements were executed on or shortly after March 1, 2016. And, after entering into these confidentiality agreements, the Company engaged in extensive meetings and discussions with the Ad Hoc Committee. These discussions led to the exchange and negotiation of a draft term sheet for an in-court restructuring transaction.

76. Contemporaneously with these initial restructuring discussions, EGC and EPL each appointed an independent director to ensure that the interests of their respective stakeholders were appropriately considered and protected.[25] On March 8, 2016, the board of directors of EPL (the "***EPL Board***") appointed James R. Latimer, III as an additional member of the EPL Board. Mr. Latimer, as the sole member of an independent Special Committee of the

[24] As of the Petition Date, the Ad Hoc Committee consists of Covalent Capital, DW Partners, Franklin Advisers, Inc., Mudrick Capital, Oaktree Capital Management, and Pine River Capital Management.

[25] Prior to the appointment of independent directors, the only board members at EGC and EPL were myself and Energy XXI's president and chief executive officer, John D. Schiller, Jr.

EPL Board, is tasked with reviewing and evaluating, in connection with any potential restructuring transaction, the treatment of the EPL Unsecured Notes, the treatment of the Intercompany Note, and any matters on which an actual conflict exists between EPL and any of the other Debtors. Mr. Latimer, through EPL, engaged the law firm of Porter Hedges LLP to assist him in carrying out these duties.

77. On March 29, 2016, the board of directors of EGC (the "***EGC Board***") appointed George C. Morris, III as an additional member of the EGC Board. Mr. Morris, as the sole member of an independent Special Committee of the EGC Board, was tasked with reviewing and evaluating, in connection with any potential restructuring transaction, the treatment of the EGC Unsecured Notes and the Second Lien Notes, the treatment of the Intercompany Note, and any matters on which an actual conflict exists between EGC and its subsidiaries (other than EPL and its subsidiaries), on the one hand, and Energy XXI or its direct and indirect subsidiaries (with the exception of EGC and its direct subsidiaries, other than EPL and its subsidiaries), on the other hand. Mr. Morris, through EGC, engaged the law firm of Andrews Kurth LLP to assist him in carrying out these duties.

78. Additionally, while restructuring negotiations with the Ad Hoc Committee progressed, the Company engaged with the First Lien Agent and its advisors regarding the potential for an in-court restructuring and the potential for a comprehensive solution. The parties negotiated an extension of the Waiver as a restructuring transaction was not finalized by March 14, 2016 (the Waiver expiration date), in order to give the Company additional time to negotiate a consensual restructuring with its key stakeholders. And, on March 14, 2016, EGC, EPL, the First Lien Agent, and the First Lien Lenders party thereto, entered into the Fourteenth Amendment and Waiver to the Second Amended and Restated First Lien Credit Agreement (the

"***Second Waiver***"). This Second Waiver extends the terms of the original Waiver, waiving the requirement that the Company provide the compliance certificate under the First Lien Credit Agreement until 12:01 a.m. (Central Time) on April 15, 2016.[26] As a condition to receiving the Second Waiver and as consideration therefor, the overall borrowing base under the First Lien Credit Agreement was reduced from $500 million to $377.7 million, effectively removing any further borrowing capacity under the First Lien Credit Agreement. Further, under the Second Waiver, EGC agreed to unwind its outstanding hedge transactions and to use the proceeds therefrom to repay amounts outstanding under the EPL sub-facility, and for such payments to further and permanently reduce the borrowing base, specifically EPL's sub-facility amount.[27]

79. As with the Waiver, obtaining the Second Waiver was crucial to the Company's restructuring efforts. Without the Second Waiver the Company would have been exposed to the potential acceleration of the Revolving Credit Facility, and cross-acceleration of the Second Lien Notes and Unsecured Notes—to avoid this result the Company would have been forced to file for chapter 11 relief without any agreement on a restructuring transaction, or an appropriate exit strategy from chapter 11, in place.

80. Similarly, in order to facilitate additional runway for negotiating a consensual restructuring transaction, the Company, the Board, and the EPL Board made the decision to make the interest payment on the EPL Unsecured Notes prior to the end of the grace period in order to afford the Company additional time to complete negotiations with the Ad Hoc Committee and other stakeholders regarding a comprehensive restructuring. Failure to make the

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[26] The Second Waiver could be terminated at an earlier date, prior to April 15, 2015, due to (a) EGC's or EPL's failure to comply with the conditions set forth in the Second Waiver, or (b) the occurrence of an Event of Default (as defined in the First Lien Credit Agreement) other than as a result of the failure of EGC to pay interest due on the 6.875% Notes or the Second Lien Notes or the failure of EPL to pay interest due on the EPL Unsecured Notes, in each case to the extent such failure to pay such interest does not constitute an event of default as defined in the applicable indentures for such notes.

[27] The proceeds from the unwinding of the Company's hedge transactions totaled approximately $50.6 million dollars.

interest payment before the end of the grace period would have resulted in cross-default under the First Lien Credit Agreement and each of the indentures governing the other Unsecured Notes, permitting acceleration thereof, even if the EPL Unsecured Notes were not accelerated. Again, no significant holders of the EPL Unsecured Notes contacted the Company or its advisors in the aftermath of the Company's decision to make the interest payment prior to expiration of the grace period.

81. At this time the Company, with the assistance of its advisors, also analyzed whether to make the March 15, 2016 interest payment on the Second Lien Notes and the 6.875% Senior Notes. These payments totaled more than $85 million and would have significantly impacted the Company's liquidity and ability to proceed in chapter 11 without additional financing. To preserve liquidity ahead of a chapter 11 filing and set a definitive timeline within which to complete negotiations with the Ad Hoc Committee and other stakeholders, the Company and the Board determined not to make these interest payments and enter the 30-day grace period that expired on April 14, 2016 at 10:00 a.m. Eastern Time.

82. With the additional time afforded by the Second Waiver and payment of the EPL interest payment, the Company and its advisors and the Ad Hoc Committee and its advisors continued in their good-faith negotiations of an in-court restructuring transaction. These negotiations included multiple in-person meetings and the exchange of multiple draft term sheets, all in an attempt to reach an agreement on a comprehensive restructuring that maximized value for all stakeholders. The Debtors, together with their advisors, carefully considered all alternatives available to deleverage their capital structure and enhance financial flexibility. Throughout these negotiations the Board and the independent directors at EPL and EGC were apprised of the status of discussions, the potential recoveries for various creditor constituencies

and stakeholders under proposed term sheets, and recommendations from the Company's management team and the Company's advisors as to appropriate next steps. The Company also provided BOEM with consistent updates during the weeks leading up to the filing of these chapter 11 cases to keep them apprised of developments and because of their role as a key stakeholder in the Company's restructuring.

4. The Restructuring Support Agreement

83. After extensive, arms'-length negotiations, the Company and the Ad Hoc Committee were able to agree on the terms of a comprehensive restructuring transaction. The key terms of this transaction are embodied in the RSA attached hereto as **Exhibit D**, which was signed on April 11, 2016 by the Debtors and a group of Second Lien Noteholders holding approximately 63% of the face value of the Second Lien Notes. The Second Lien Noteholders who are, or later become, signatories to the RSA are defined therein as the "***Restructuring Support Parties***." The Energy XXI Board and the independent directors at EGC and EPL authorized the execution of the RSA as being in the best interest of the Debtors.

84. Within the Debtors' complex capital structure, the $1.45 billion in secured Second Lien Notes issued by EGC represent the Debtors' single largest funded debtholder constituency. For this reason, as well as the Debtors' inability to force their Second Lien Noteholders to convert their secured debt into equity absent their consent under applicable law, the Debtors have limited prospects to consummate any reorganization absent the support of their Second Lien Noteholders. Accordingly, the Debtors proactively engaged an ad hoc group of second lien noteholders in extensive, arm's-length negotiations and ultimately reached agreement on the terms of a standalone restructuring transaction that would right-size their balance sheet and best position their go-forward operations for long-term success. This agreement is memorialized through the RSA and the Term Sheet (defined below).

85. The RSA creates the framework for a chapter 11 plan of reorganization that will eliminate substantially all the Debtors' prepetition funded debt obligations and substantially reduce the Debtors' interest burden. Moreover, the RSA contains milestones which tee-up an approximately five-month timeline for the Debtors to consummate their proposed restructuring, thereby minimizing administrative expenses and maximizing recoveries for the Debtors' stakeholders. Accordingly, assumption of the RSA will provide important structure and stability to the chapter 11 process and establish a framework for the Debtors to negotiate and consummate the plan with their key constituencies.

86. The Debtors entered into the RSA only after a robust review process by the members of each of the Debtors' boards of directors. Based upon regular updates to the Boards regarding the status of negotiations between the parties in the period leading up to the commencement of these chapter 11 cases, and upon rigorous review of the RSA and the Term Sheet by the Boards, including the independent directors at EGC and EPL and their respective legal counsel, the Debtors determined that the terms of the RSA represent the best transaction available and will maximize value to all stakeholders.

87. The RSA contemplates that certain restructuring transactions will be implemented in accordance with a joint pre-arranged chapter 11 plan of reorganization ("***Plan***") on terms consistent with an attached term sheet (the "***Term Sheet***"). The key elements of the Term Sheet include:

- ***Reorganized EGC[28] becomes the New Parent and issues New Equity***. After the Effective Date, EGC is referred to in the Term Sheet as the "New Parent" or "Reorganized EGC." On the date the Plan becomes effective (the "***Effective Date***"), new common stock in EGC will be issued and distributed (the "***New Equity***"), and the New Parent will hold substantially all of the assets of Energy XXI and its subsidiaries.

[28] The Debtors and the Majority Restructuring Support Parties (as defined in the RSA) reserve the right to cause the New Parent to be an entity other than EGC.

- ***Second Lien Noteholders receive the New Equity***. The Second Lien Noteholders will receive 100% of the New Equity, subject to dilution in connection with the Warrant Package and Management Incentive Plan described below.
- ***Unsecured noteholders share in a Warrant Package***. The Warrant Package will consist of warrants equal to an aggregate of up to 10% of the New Equity,[29] with a maturity of 10 years and an agreed-upon strike price. The Warrant Package is divisible among the classes of EGC Unsecured Notes Claims, EPL Unsecured Notes Claims, and EXXI Convertible Notes Claims, as defined in the Term Sheet. If, however, any such class votes to reject the Plan, it will not receive a distribution thereunder.
- ***CEO Schiller is retained***. John D. Schiller, Jr. has agreed to remain on the Board of Directors of New Parent and to serve as its CEO.
- ***Energy XXI files a winding-up proceeding in Bermuda***. Energy XXI will file a winding-up petition and commence an official liquidation proceeding in Bermuda under Bermudian law.
- ***Restructuring takes place on an agreed schedule.*** The restructuring transactions will be conducted under a timeline set forth in the RSA, which requires the Debtors to file the Plan by May 16, 2016 and the Effective Date to occur no later than September 2, 2016.
- ***Releases***. The Plan will include mutual releases and exculpation provisions in favor of (a) the Debtors and their related persons, professionals, and entities, and (b) the Restructuring Support Parties and their related persons, professionals, and entities.

The Debtors also have agreed to use their best efforts to either (a) cause the drawn amount under the First Lien Credit Agreement to remain outstanding at emergence from the chapter 11 cases, or (b) refinance such amount on terms acceptable to the Majority Restructuring Support Parties, with $228 million in letters of credit remaining outstanding and other terms acceptable to the Debtors and the Majority Restructuring Support Parties.[30]

88. It is important to note that the Debtors maintain a broad "fiduciary out" under the RSA. Specifically, Section 8(c) of the RSA provides that each Debtor may terminate its obligations thereunder if its board of directors (or board of managers, as applicable) determines

[29] This 10% is subject to dilution from the Management Incentive Plan described in the Term Sheet.

[30] As of the Petition Date, the Debtors and their advisors continue to engage in extensive negotiations with a steering committee of the First Lien Lenders and the First Lien Agent, and are cautiously optimistic they will achieve agreement regarding the proposed treatment of first lien indebtedness under the Plan.

that proceeding with the contemplated restructuring transactions "would be inconsistent with the exercise of its fiduciary duties."

III. FIRST DAY PLEADINGS

89. Contemporaneously herewith, the Debtors have filed various First Day Pleadings seeking orders granting various forms of relief intended to stabilize the Debtors' business operations, facilitate the efficient administration of these chapter 11 cases, and expedite a swift and smooth restructuring of the Debtors' balance sheet. I have reviewed each of the First Day Pleadings and I believe that the relief requested in the First Day Pleadings is necessary to allow the Debtors to operate with minimal disruption during the pendency of these chapter 11 cases. The Debtors intend to seek entry of Court orders approving each of the First Day Pleadings as soon as possible in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, and the Bankruptcy Local Rules. Absent the Court granting the relief requested by the Debtors in their First Day Pleadings on an emergency basis, I believe that the Debtors will suffer immediate and irreparable harm.

90. A description of the relief requested and the facts and opinions supporting each of the First Day Motions is detailed in **Exhibit A**, attached hereto.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: April 14, 2016
Houston, Texas

Bruce W. Busmire
Chief Financial Officer, Energy XXI Ltd

Exhibit A

Evidentiary Support for First Day Pleadings[1]

A. Emergency Motion for Entry of an Order Directing Joint Administration of the Debtors' Chapter 11 Cases ("*Joint Administration Motion*").

91. In the Joint Administration Motion, the Debtors request entry of an order (a) directing procedural consolidation and joint administration of these chapter 11 cases and (b) granting related relief. Given the integrated nature of the Debtors' operations, I believe that joint administration of these chapter 11 cases will provide significant administrative convenience without harming the substantive rights of any party in interest.

92. Many of the motions, hearings, and orders in these chapter 11 cases will affect each and every Debtor entity. For example, virtually all of the relief sought by the Debtors in the First Day Motions is sought on behalf of all of the Debtors. The entry of an order directing joint administration of these chapter 11 cases will reduce fees and costs by avoiding duplicative filings, scheduling duplicative hearings, entering duplicative orders, and maintaining redundant files. Joint administration of these chapter 11 cases, for procedural purposes only, under a single docket, will also ease the administrative burdens on the Court by allowing the Debtors' cases to be administered as a single joint proceeding instead of 26 independent chapter 11 cases. Joint administration will not give rise to any conflict of interest among the Debtors' estates. The rights of the Debtors' respective creditors will not be adversely affected by the proposed joint administration because the Debtors will continue as separate and distinct legal entities, will continue to maintain separate books and records, and will provide information as required in the consolidated monthly operating reports on a debtor-by-debtor basis. The recoveries of all creditors will be enhanced by the reduction in costs resulting from joint administration of the

[1] Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the applicable First Day Pleading.

Debtors' chapter 11 cases. Accordingly, on behalf of the Debtors, I respectfully submit that the Joint Administration Motion should be approved.

B. Emergency Motion for Interim and Final Orders (I) Authorizing the Debtors' Limited Use of Cash Collateral, (II) Granting Adequate Protection to the Prepetition Secured Parties, (III) Modifying the Automatic Stay and (IV) Granting Related Relief ("*Cash Collateral Motion*")

93. I believe that the Debtors have an immediate need to use Cash Collateral, without which the Debtors cannot maintain the value of their estates during these chapter 11 cases. The Debtors use cash on hand and cash flow from operations to procure goods and services from vendors, pay their employees, and satisfy other working capital needs. The ability to satisfy these expenses as and when due is essential to the Debtors' continued operation of their businesses during the pendency of these cases. As a result, I believe that the inability to use these funds during the chapter 11 cases could cripple the Debtors' business operations, causing immediate and irreparable harm to the Debtors and their estates.

94. In light of the Debtors' need to access liquidity, the Debtors entered into discussions with the First Lien Agent regarding use of cash collateral. After good-faith, arm's-length negotiations, the Debtors and the First Lien Agent on behalf of the First Lien Secured Parties, reached an agreement regarding the consensual use of Cash Collateral.

95. The Debtors' agreement with the First Lien Agent regarding Cash Collateral is subject to certain conditions, including the provision of adequate protection to the Prepetition Secured Parties. The Debtors will also operate in accordance with the Budget during the interim period.

96. The Debtors propose to provide the First Lien Secured Parties with the following adequate protection package:

- adequate protection liens, including a first priority priming lien on, and security interest in the Prepetition Collateral and all other of the Debtors' now owned and

hereafter-acquired real and personal property, assets and rights of any kind or nature, and a junior priority lien on and security interest in all prepetition and postpetition property of the Debtors that is subject to a prepetition lien

- allowed administrative claims as provided in section 507(b) of the Bankruptcy Code, with priority in payment over any and all unsecured claims and administrative expense claims against the Debtors;

- each calendar month after the entry of this Interim Order, in an amount equal to all accrued and unpaid prepetition or postpetition interest, fees and costs due and payable under the First Lien Credit Agreement, with additional interest on the First Lien Prepetition Indebtedness at the post-default rate of two percent (2%) continuing to accrue and be added to the aggregate allowed amount of the First Lien Prepetition Indebtedness;
- payment of reasonable and document fees, expenses, and disbursements incurred by the First Lien Agent under the First Lien Credit Agreement;
- maintenance of the Debtors' cash management system in a manner consistent with an order granting the Debtors' cash management motion;
- continued compliance with certain financial reporting requirements set forth in the First Lien Credit Agreement and certain additional reporting requirements described in the Interim Order; and
- certain restrictions set forth in the Interim Order related to sales and dispositions of Collateral.

97. The Debtors also propose to provide the Second Lien Secured Parties with the following adequate protection package:

- adequate protection liens, including security interests in and liens on the Collateral, subject only to the Carve-Out, the First Lien Adequate Protection Liens, and the liens and security interests securing the First Lien Prepetition Indebtedness, and subject further to the Intercreditor Agreement.

98. Additionally, the Debtors have stipulated, subject to a challenge period, to (a) the amount of the claims of the Prepetition Agents and Prepetition Secured Parties as of the Petition Date, (b) the validity and priority of the liens and security interests securing the First Lien Prepetition Indebtedness and Second Lien Prepetition Indebtedness, (c) the relative priority of the liens securing the First Lien Prepetition Indebtedness and Second Lien Prepetition Indebtedness as to each other, pursuant to the Intercreditor Agreement, and (d) the fact that all

cash and cash proceeds, in the Borrower's and Guarantors' banking, checking or other deposit accounts with financial institutions as of the Petition Date or deposited after the Petition Date, subject to certain exceptions set forth in the Interim Order, are Cash Collateral of the Prepetition Secured Parties.

99. I understand that courts in this jurisdiction have approved similar requests for relief in other, recent chapter 11 cases. Accordingly, I believe that the Debtors' consensual use of Cash Collateral and agreed-upon adequate protection package is fair and appropriate under the circumstances of these chapter 11 cases. Accordingly, on behalf of the Debtors, I respectfully submit that the Cash Collateral Motion should be approved.

C. Emergency Motion for Entry of Interim and Final Orders (A) Authorizing the Debtors to (I) Pay Prepetition Wages, Salaries, Employee Benefits, and Other Compensation, (II) Maintain Employee Benefit Programs and Pay Related Administrative Obligations, and (III) Pay Independent Contractor Obligations, and (B) Directing Financial Institutions to Receive, Process, Honor, and Pay All Checks Presented for Payment and to Honor All Fund Transfer Requests Related to Such Obligations ("*Wages Motion*")

100. The Wages Motion seeks an interim order, and subsequently a final order, (a) authorizing the Debtors to pay (i) all prepetition obligations of the Debtors owing to or on behalf of Employees and Independent Contractors (the "***Employee Claims***" and "***Independent Contractor Claims***," respectively), whether accrued or currently due and payable, (ii) all prepetition amounts owed with respect to the Employee Benefits, whether accrued or currently due and payable, including payment of all applicable plan administrators and other service providers, and (iii) all prepetition amounts owed to (A) Fidelity, for payroll processing services and administration of the 401(k) Plan; (B) UBS, for 401(k) Plan consulting services; and (C) American Express, in connection with, among other things, charges to the AmEx Cards; (b) authorizing the Debtors to continue certain Employee Benefits programs; and (c) directing all financial institutions to honor prepetition checks for payment (i) of the Employee Claims and the

Independent Contractor Claims, (ii) on account of the Employee Benefits, and (iii) to Fidelity, UBS, and American Express (collectively, the "***Obligations***") and prohibiting such financial institutions from placing any holds on, or attempting to reverse, any transfers made to satisfy the Obligations.

101. In the ordinary course of business, the Debtors rely on the services of employed personnel (each, an "***Employee***" and collectively, the "***Employees***") to conduct their business operations and the Debtors incur obligations to or on account of such Employees. There are approximately 257 Employees[2] in the Debtors' corporate enterprise as of the Petition Date, each of which is a full-time, salaried Employee.[3] In the ordinary course of business, the Debtors incur and pay obligations relating to Employees' salaries and wages, overtime, expense reimbursements, and allowances (the "***Base Compensation Obligations***") and, for certain eligible Employees, performance bonuses (the "***Performance Bonus Obligations***" and collectively with the Base Compensation Obligations, the "***Compensation Obligations***"). Base Compensation Obligations are paid on a monthly or semi-monthly basis. Performance Bonus Obligations are paid annually.[4]

102. The Employees provide a variety of management, administrative, operational, and other support services for the Debtors, including, but not limited to, accounting, engineering, logistics, tax, governmental compliance, drilling and rig operations, and safety training. The Employees' skills and knowledge of the Debtors' infrastructure and operations are essential to

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2 Eleven of such Employees are non-exempt for purposes of the Fair Labor Standards Act.

3 As explained in the Debtors' *Emergency Motion for Entry of Interim and Final Orders Authorizing the Debtors to Pay or Honor Prepetition Obligations to Critical Vendors* filed contemporaneously herewith, the Debtors outsource the vast majority of their offshore labor (approximately 1,000 workers) through staffing companies such as Wood Group PSN, Inc. and Island Operating Company. The Debtors pay the offshore workforce through such staffing companies.

4 As explained below, the Debtors are not seeking authority to pay the Performance Bonus Obligations pursuant to this Motion, but reserve the right to seek Court authority to do so at a later date.

the continued preservation of the Debtors' business, and their ongoing, uninterrupted services are vital to the Debtors' reorganization efforts.

103. As of the Petition Date, the aggregate semi-monthly payroll for the Employees is approximately $1.54 million.[5] The Debtors funded their payroll on April 13, 2016 for the period of April 1, 2016 through April 15, 2016, and thus, the Debtors do not believe any amounts are owed to Employees in excess of $12,850 as a result of prepetition wages and salaries. The Debtors seek authority through the Wages Motion to satisfy any unpaid prepetition Base Compensation Obligations to the extent such obligations exist.

104. In the ordinary course of business, in addition to the Employees, the Debtors rely on the services of approximately eight independent contractors (collectively, the "***Independent Contractors***") to conduct their business operations and the Debtors incur obligations to or on account of such Independent Contractors (the "***Independent Contractor Obligations***"). The Independent Contractors provide valuable finance, accounting, land, drilling, and regulatory support services and are therefore an integral component to the Debtors' business. The Independent Contractors submit monthly invoices to the Debtors and are paid in arrears.

105. The aggregate monthly payroll for the Independent Contractors is approximately $50,000. The Debtors estimate that, as of the Petition Date, they owe approximately $75,000 on account of the Independent Contractor Obligations. The Debtors seek authority through the Wages Motion to pay such prepetition Independent Contractor Obligations through this Motion. The Independent Contractors typically submit invoices in arrears, and thus, as of the Petition Date, the Debtors have not paid certain Independent Contractors for prepetition services. Accordingly, the Debtors believe that approximately four Independent Contractors are owed in excess of $12,850 as a result of prepetition wages and salaries. The Debtors seek authority

[5] The average annual salary for Employees is approximately $144,000.

through the Wages Motion to satisfy (a) any unpaid prepetition Independent Contractor Obligations up to $12,850 during the first 21 days of these chapter 11 cases and (b) any remaining unpaid prepetition Independent Contractor Obligations in excess of $12,850 upon entry of the Final Order.

106. To facilitate payment of certain of the Compensation Obligations, the Debtors use in-house personnel and FMR LLC ("***Fidelity***"), a third party payroll service provider, to make payments to Employees, Taxing Authorities (as defined below), and certain Employee benefits providers on behalf of the Debtors.

107. The Debtors pay approximately $36,000 in annual fees for Fidelity's payroll services (the "***Payroll Fees***").[6] As of the Petition Date, the Debtors owe approximately $4,500 on account of the Payroll Fees and seek authority to pay them through the Wages Motion.[7] The Debtors seek authority through the Wages Motion to pay any unpaid prepetition Payroll Fees.

108. Approximately 40 Employees have been issued American Express Corporate Cards and American Express Corporate Purchasing Cards (collectively, the "***AmEx Cards***") pursuant to a *Corporate Card Account Agreement* and a *Corporate Purchasing Card Agreement* between the Debtors and American Express.[8] Employees may seek reimbursement of certain business expenses, such as travel, meal, and office supplies, that they incur through using their AmEx Cards in performing their employment duties (collectively, the "***Expenses***"). AmEx Card statements are sent directly from American Express to the Debtors, and the Debtors typically pay such amounts within 30 days of receipt of the AmEx Card statements.

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6 This amount does not include the administration fees payable to Fidelity (approximately $1,200 annually) for administering the Debtors' 401(k) Plan (as defined below).

7 Fidelity uses a direct deposit program for all payroll remittances to Employees. In order to fund such amounts, Fidelity sweeps the Debtors' payroll bank account two business days before each scheduled pay date (typically the 15th and 30th of each month).

8 The Debtors also utilize American Express Central Billed Accounts, which include business travel accounts issued to the Debtors used to charge Employee business travel for airlines, hotels, and car rental companies.

109. From time to time Employees also use their personal credit cards (the "***Personal Cards***") for Expenses. Employees that incur Expenses on the Personal Cards submit their Expense reimbursement requests each month to their applicable supervisor and, upon approval, the Debtors reimburse the Employees for such Expenses.

110. Based on the last 12 months of payroll, Expense reimbursements for AmEx Card and Personal Card use average approximately $285,000 per month in the aggregate. Because of the irregular nature of requests for expense reimbursements, it is very difficult for the Debtors to determine the amount of unpaid Expenses at any given time. The Debtors estimate that, as of the Petition Date, American Express and Employees are owed approximately $285,000, or approximately one month of unpaid Expenses (including Expenses for which Employees have not yet requested reimbursement).

111. I believe that it is essential to the continued operation of the Debtors' business that the Debtors be permitted to continue to make payments for the charges incurred through use of the AmEx Cards and Personal Cards. Accordingly, the Debtors seek authority in the Wages Motion to (a) satisfy any prepetition amounts due and owing to American Express and the Employees (through use of their Personal Cards) and to reimburse outstanding prepetition Expenses, (b) continue use of the AmEx Cards, Personal Cards, and American Express programs in place as of the Petition Date, and (c) continue to pay all amounts due and owing to American Express and the Employees through use of their Personal Cards and on account of the Expense reimbursements postpetition in the ordinary course of business.

112. The Debtors are required by law to withhold from Employees' salaries and wages certain amounts related to federal and state income taxes, social security taxes, Medicare taxes, and other taxes imposed by the law (each, a "***Withholding Tax***" and collectively, the

"***Withholding Taxes***") and to remit any such withheld amounts to the appropriate taxing authorities (the "***Taxing Authorities***") according to schedules established by such Taxing Authorities.

113. The Debtors are also required to make certain additional payments from their own funds in connection with the Withholding Taxes, including matching payments on account of social security and Medicare taxes and, subject to certain limitations, additional amounts based upon a percentage of gross payroll for, among other things, state and federal unemployment insurance (collectively, the "***Contribution Taxes***" and, together with the Withholding Taxes, the "***Payroll Taxes***"). The Debtors remit federal Contribution Taxes each payroll period and state Contribution Taxes at frequencies determined under applicable law. The Debtors estimate that, on account of the Payroll Taxes, the Debtors withhold and contribute approximately $1 million per month.

114. As of the Petition Date, the Debtors believe all prepetition Payroll Taxes have been paid in full. Nonetheless, the Debtors seek authority through the Wages Motion to pay any unpaid prepetition Payroll Taxes.

115. In the ordinary course of processing Employee payroll, the Debtors may be required by law to withhold from certain Employees' wages and salaries amounts on account of tax levies, child support, and court-ordered garnishments (collectively, "***Garnishments***"). Amounts withheld on account of Garnishments are remitted to the appropriate state and federal authorities. On average, approximately $1,000 per month is withheld from Employees' salaries and wages on account of Garnishments. As of the Petition Date, the Debtors believe all prepetition Garnishments have been paid in full. Nonetheless, the Debtors seek authority through the Wages Motion to pay any unpaid prepetition Garnishments.

116. In the ordinary course of business, the Debtors make various benefit plans available to their Employees. These benefit plans fall within the following categories: (a) paid time off, including sick days, vacation days, short-term disability pay, bereavement leave, jury duty leave, maternity/paternity leave, and military leave (together, the "***Employee Leave Benefits***"); (b) medical, dental, vision, and prescription drug benefits, life insurance, executive life insurance, accidental death and dismemberment ("***AD&D***") insurance, long-term disability, and workers' compensation (together, the "***Health and Welfare Benefits***"); (c) 401(k) plan pension and savings benefits (together, the "***Retirement Benefits***"); (d) severance benefits; and (e) miscellaneous benefits (each of (a) – (e), an "***Employee Benefit***" and collectively, the "***Employee Benefits***").[9] Although the Debtors maintain certain Employee Benefits plans themselves, other Employee Benefits plans, such as the Health and Welfare Benefits plans, are maintained by third parties. Through the Wages Motion, the Debtors seek authority to pay any prepetition amounts owed on account of the Employee Benefits and to continue the Employee Benefits postpetition in accordance with prepetition practices.

117. Employee Leave Benefits are provided and administered by the Debtors. Eligible Employees accrue paid time off and related benefits as generally described below. Through the Wages Motion, the Debtors seek authority to pay any prepetition amounts owed on account of the Employee Leave Benefits and to continue the Employee Leave Benefits postpetition in accordance with prepetition practices.

118. Each eligible Employee receives a certain number of paid vacation days each calendar year based upon his or her position. Employees may use vacation days at their discretion. Unused vacation days may be carried over as follows:

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[9] The Employee Benefits are described in further detail below.

Years of Accumulated Industry Service	Monthly Vacation Accrual Rate	Vacation Benefit per Calendar Year	Vacation Accrual Ceiling	Maximum Carryover
0 – 3	6.67	80 hours	120	40
4 – 9	10	120 hours	160	40
10 – 15	13.34	160 hours	200	40
16 – 24	16.67	200 hours	280	80
25+	20	240 hours	320	80

119. In the event an Employee is terminated, that Employee is reimbursed for accrued but unused vacation days at the Employee's base compensation rate, or as required by law.[10] Similarly, an Employee who is terminated and who has used more vacation days than the Employee has accrued is obligated to reimburse the Debtors for such used but unaccrued vacation days at the Employee's base compensation rate, or as is required by law.

120. As of the Petition Date, approximately $1.3 million worth of unused vacation days has accrued.

121. Eligible Employees are entitled to take up to 40 hours off annually on uncertified paid leave on account of sickness ("***Sick Leave***").[11] Employees who require more than 40 hours of Sick Leave must produce a medical certificate for each day of absence thereafter and are covered by Short-Term Disability (as defined below).

122. The Debtors also maintain a short-term disability policy for certain eligible Employees. These Employees will continue to be paid their full compensation up to a certain period of time depending on the Employee's length of employment ("***Short-Term Disability***").

[10] If an Employee voluntarily resigns, the Debtors will pay such Employee only for accrued, unused vacation leave if such Employee provides the Debtors with two weeks' advance notice.

[11] During the first year of employment, Employees receive a prorated portion of Sick Leave based on their hire date.

This type of leave may run concurrently with an Employee's Family and Medical Leave Act leave, and is intended to compensate Employees absent from work because of a "temporary medical disability," which is intended to include extended leave for pregnancy and childbirth. If an Employee participates in any of the Health and Welfare Benefits plans, the Employee's Short-Term Disability will have no effect on such participation.

123. The Debtors provide, among other things, up to 12 weeks of unpaid maternity and paternity leave for eligible Employees in compliance with the Family and Medical Leave Act.

124. The Debtors provide full-time Employees with reasonable paid bereavement time in the event of a death within the Employee's immediate family. Paid bereavement time is typically up to 3 days but may be increased on an unpaid basis with manager approval.

125. Employees required to serve on jury duty are paid for time lost which would have been worked on their regular schedules at their applicable base salary or regular base rate of pay for the duration of the court assignment. Time spent on jury duty is not considered time worked for purposes of computing overtime payment.

126. The Debtors grant leaves of absence as required by law for Employees who serve in military forces. Military leave is unpaid; however, an Employee may apply accrued but unused vacation days or Sick Leave.

127. The Debtors sponsor several Health and Welfare Benefits plans to provide benefits to eligible Employees. The Health and Welfare Benefits include medical, vision, dental, and prescription drug plans, life and AD&D insurance, long-term disability benefits, workers' compensation, health and dependent care flexible spending accounts, and an employee assistance program. The Health and Welfare Benefits are provided by third party insurers.

128. Benefit Management Administrators, Inc. ("***BMA***") administers the following health benefits plans (together, the "***Health Benefits Plans***") through various network providers (the "***Health Benefits Providers***") to eligible Employees and their families, including, among other things, medical, vision, dental, and prescription drug benefits:

Type of Benefits	Network Provider
Medical	Cigna
Dental	Cigna
Vision	EyeMed
Prescription Drug	WellDyneRx

129. The Debtors are required to pay annual premiums in exchange for the benefits provided to Employees who subscribe to the Health Benefits Plans. Such premiums for the Health Benefits Plans coverage are funded by the Debtors, but also partly subsidized by Employee contributions withheld from paychecks. In the ordinary course of business, each Health Benefits Plan premium may vary as the number of Employees enrolled in the Health Benefits Plans changes and as the Health Benefits Providers change their prices.

130. To participate in the Health Benefits Plans, the Debtors are required to pay annual premiums of approximately $930,000 in the aggregate. Of these total premiums, the Debtors pay monthly installments of, on average, approximately $77,500 to the Health Benefits Providers. All premiums to Health Benefits Providers are paid in advance. Because the obligations to the Health Benefits Providers are prepaid, the Debtors do not believe any prepetition amounts are owed on account of the Health Benefits Plans. Nonetheless, the Debtors seek authority to pay any unpaid prepetition amounts on account of the Health Benefits Plans, including any prepetition amounts owed to BMA, through the Wages Motion.

131. In addition, the Debtors pay a percentage of medical, dental, and vision claims (collectively, the "***Health Benefit Claims***") submitted by Employee participants under BMA-administered plans. Health Benefit Claims are paid on a weekly basis,[12] but are not always timely submitted by participants. The average monthly amount of Health Benefit Claims is approximately $480,000. As of the Petition Date, the Debtors estimate approximately $120,000 of Health Benefit Claims are outstanding based on historical data, including those which may have not yet been submitted. The Debtors seek authority to pay such prepetition Health Benefits Claims through the Wages Motion.

132. Under the Consolidated Omnibus Budget Reconciliation Act ("***COBRA***"), Employees (and their families) who are terminated have the right to continue their health benefits from their employer for up to 18 months[13] and under certain circumstances, COBRA benefits are provided to exiting Employees as required by law. The COBRA benefits are administered by BMA. The Debtors pay approximately $7,000 on account of the COBRA benefits each month. The Debtors do not believe that any prepetition amounts are owed on account of the COBRA benefits. However, in an abundance of caution, the Debtors seek authority in the Wages Motion to pay any prepetition amounts on account of the COBRA benefits through this Motion.

133. The Debtors offer life insurance (the "***Life Insurance Plan***"), executive life insurance (the "***Executive Life Insurance Plan***"), AD&D insurance (the "***AD&D Insurance Plan***"), and long-term disability benefits (the "***Long-Term Disability Plan***") to eligible Employees. The Life Insurance Plan, AD&D Insurance Plan, and Long-Term Disability Plan are insured by Cigna and administered by BMA.

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[12] The Debtors' bank account is swept weekly to pay for such Health Benefit Claims.

[13] In certain circumstances, such benefits may be continued for a longer period.

134. The Debtors fund twice the annual salary of each Employee, up to $500,000, for the AD&D Insurance Plan and Life Insurance Plan and 100% of the basic coverage costs for the Long-Term Disability Plan. Employees can elect supplemental coverage for the Employee and/or family members under the Life Insurance Plan and AD&D Insurance Plan at their own expense.

135. In addition, the Debtors offer eight key executives coverage under the Executive Life Insurance Plan. The Executive Life Insurance Plan is provided by Lincoln Financial, and the insured amounts thereunder range from $1 million to $4 million.

136. The Debtors pay (a) approximately $37,000 in premiums each month on account of the Life Insurance Plan, AD&D Insurance Plan, and Long-Term Disability Plan, and (b) approximately $53,000 each year on account of the Executive Life Insurance Plan. Such premiums are paid in advance, and as such, as of the Petition Date, the Debtors do not believe they owe any prepetition amounts with respect to the Life Insurance Plan, AD&D Insurance Plan, and Long-Term Disability Plan.[14] Nonetheless, in the Wages Motion the Debtors request authority to pay any prepetition amounts with respect to such plans.

137. Under the laws of various states in which the Debtors operate, the Debtors are required to maintain workers' compensation insurance. The Debtors maintain workers' compensation insurance under a policy administered by Liberty Mutual Insurance. The Debtors pay an annual premium of approximately $67,500 for such coverage. The Debtors pay all annual premiums in advance, as required by law.

138. The Debtors are not aware of any outstanding prepetition workers' compensation claims and do not believe that any significant prepetition amounts are owed on account of the workers' compensation coverage. As of the Petition Date, the Debtors do not believe they owe

[14] As of the Petition Date, one Employee is on long-term disability.

any prepetition amounts with respect to workers' compensation claims. Nonetheless, because payment of the workers' compensation claims is essential to the continued operation of the Debtors' business under the laws of the states in which they operate, the Debtors seek authority in the Wages Motion to pay any and all prepetition workers' compensation claims and to continue to fund the workers' compensation insurance policy in the ordinary course of business.

139. Employees may elect to contribute to a health flexible spending account ("***FSA***") and/or a dependent care FSA. An FSA is a benefit plan that allows an employee to set aside tax-free dollars from each pay check into a special account that can be used throughout the year to reimburse such employee for eligible out-of-pocket expenses. FSA claims are swept daily from the Debtors' bank account and payments for manually entered claims are issued weekly.

140. As of the Petition Date, monthly Employee deductions on account of the FSAs total approximately $8,900. The Debtors seek authority to continue deducting Employee paychecks on account of the FSAs through the Wages Motion.

141. The Debtors provide eligible Employees with the opportunity to participate in an educational assistance program (the "***Educational Assistance Program***") that is designed to provide support to such eligible Employees for the development of skills and knowledge that will directly benefit the operations of the Debtors and to encourage and support Employees to further develop their skills related to current assignments, expanded job opportunities, or new opportunities with the Debtors. Among other things, through the Educational Assistance Program, the Debtors will reimburse the actual cost of tuition, fees, and books up to $375 and $500 per credit hour for undergraduate and graduate courses, respectively, to $5,250 (undergraduate) or $15,000 (graduate) per calendar year. The Debtors pay expenses attributable to the Educational Assistance Program as they arise in the ordinary course of business and

believe that no prepetition amounts are owed on account of the Educational Assistance Program. Nonetheless, the Debtors seek authority to pay any prepetition amounts owed on account of the Educational Assistance Program through the Wages Motion.

142. The Debtors provide Retirement Benefits to certain eligible Employees as described below. Specifically, the Debtors participate in a 401(k) plan for the benefit of certain eligible Employees (the "***401(k) Plan***"). The 401(k) Plan is provided and administered by Fidelity. The Debtors also consult UBS Financial Services Inc. ("***UBS***") in connection with the 401(k) Plan. Both Fidelity and UBS submit quarterly invoices and both are paid in arrears.

143. Each Employee participant in the 401(k) Plan may elect to contribute up to 90% of his or her salary to the 401(k) Plan, subject to limitations under applicable law (such discretionary contribution, a "***Plan Contribution***"). The Debtors match dollar for dollar, up to six percent for the Employee's benefit (collectively, "***Plan Matching Contributions***") each pay period.

144. As of the Petition Date, approximately 227 Employees participate in the 401(k) Plan. The Debtors estimate that (a) Plan Matching Contributions total approximately $167,500 each month, or $2 million annually, and (b) the annual cost of the consulting services provided by UBS is $120,000.[15]

145. To date, all Plan Contributions and Plan Matching Contributions have been fully funded. However, as of the Petition Date, the Debtors have not received quarterly invoices from UBS or Fidelity (for 401(k) Plan administration fees). Accordingly, the Debtors estimate that, as of the Petition Date, approximately $35,250[16] is outstanding on account of the 401(k) Plan.

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[15] This amount is calculated based on the Debtors' total assets.

[16] This amount includes the $30,000 quarterly fee payable to UBS for the period of January 1, 2016 through March 31, 2016, plus 1/6 of the UBS quarterly fee for the pre-petition period of April 1, 2016 through the

Through the Wages Motion, the Debtors seek authority to pay such prepetition amounts and to continue the 401(k) Plan and Plan Matching Contributions.

146. The Debtors provide a monthly vehicle allowance (up to $1,400 in most instances) to nine of the Debtors' executives (and one Employee) to lease vehicles (the "***Company Vehicles***") for business and personal use.[17] The estimated average monthly expenditure on account of the Company Vehicles is approximately $20,000 (including lease payments, fuel, and maintenance). The Debtors do not believe any prepetition amounts are owed on account of the Company Vehicles. Through the Wages Motion, the Debtors seek authority to continue providing allowances for and making payments on account of the Company Vehicles consistent with prepetition practices.

147. The Debtors provide certain eligible Employees with matching gifts benefits, value added services (including a secure travel assistance program, identity theft program, CIGNAssurance, and will preparation program),[18] parking,[19] cell phones,[20] and a "health allowance" of $100 per month[21] (collectively, the "***Miscellaneous Benefits*).** The Debtors estimate the Miscellaneous Benefits cost approximately $117,000 per month. The Debtors pay these expenses as they arise in the ordinary course of business and believe that no amounts are owed on account of prepetition miscellaneous benefits. However, in an abundance of caution,

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Petition Date, plus 5/6 of the $300 quarterly fee payable to Fidelity for 401(k) Plan administration for the period of February 1, 2016 through April 30, 2016.

17 Employees are responsible for any costs in excess of the $1,400 allowance.

18 The value added services are included at no additional charge to the Debtors through their existing Health and Welfare Benefits plans.

19 The Debtors pay approximately $43,000 each month for Employee parking at their Downtown Houston headquarters. This amount represents a reduction of approximately $23,000 per month as a result of negotiations with the landlord prior to the Petition Date.

20 The Debtors pay approximately $25,000 each month for cell phones for approximately 90% of the Employees. The purpose of paying for the Employees' cell phones is to, among other things, ensure the Debtors have access to such Employees in the event of an emergency with respect to the Debtors' business operations.

21 Employees can use the health allowance for, among other things, a gym membership.

the Debtors seek authority in the Wages Motion to pay any prepetition amounts owed on account of the Miscellaneous Benefits.

148. I believe that the Debtors' Employees and Independent Contractors are the most important part of the Debtors' business, and that any delay in paying or failure to pay the Obligations could irreparably impair the morale of the Debtors' workforce at the time when their dedication, confidence, retention, and cooperation are most crucial. It could also inflict a significant financial hardship on their families. The Debtors cannot risk such a substantial disruption to their business operations, and it would be inequitable to put the Employees and Independent Contractors at risk of such hardship.

149. I also believe that payment of the Obligations in the ordinary course of business would enable the Debtors to focus on completing a successful reorganization, which would benefit all parties in interest. Without this relief, I believe that otherwise loyal Employees and Independent Contractors may seek other work opportunities, thereby putting at risk the Debtors' continued operation as a reorganized enterprise. I thus believe that payment of the Obligations will enable the Debtors to continue to operate their business in an economic and efficient manner without disruption, and that the total amount sought to be paid by this Motion is modest compared to the magnitude of the Debtors' overall business.

150. I believe that reimbursement of Expenses is necessary because any other treatment of Employees would be highly inequitable. Employees who have incurred Expenses should not be forced personally to bear the cost of the Expenses, especially because the Employees incurred the Expenses for the Debtors' benefit, in the course of their employment by the Debtors, and with the understanding that they would be reimbursed for doing so.

151. I believe that payment of administrative fees to the administrators of the Employee Benefit plans is also necessary. Without the continued service of these administrators, the Debtors will be unable to continue to honor their obligations to Employees under the Employee Benefit plans. The Wages Motion requests only permission for the Debtors, in their discretion, to (a) make payments consistent with existing policies to the extent such payments could otherwise be inconsistent with the provisions of the Bankruptcy Code and (b) continue to honor practices, programs, and policies with respect to Employees as such were in effect before the Petition Date.

152. The Debtors have sufficient liquidity to pay the amounts described in the Wages Motion in the ordinary course of business by virtue of expected cash flows from ongoing business operations and anticipated access to cash collateral. In addition, under the Debtors' existing cash management system, the Debtors can readily identify checks, wire transfers, or electronic fund transfer requests as relating to an authorized payment in respect of the payments requested to be made through this Motion. Accordingly, I believe that checks, wire transfers, and electronic transfer requests, other than those relating to authorized payments, will not be honored inadvertently.

D. Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Maintain the Cash Management System, (B) Continue Using Existing Checks and Business Forms, and (C) Continue Intercompany Arrangements and (II) Granting Related Relief ("*Cash Management Motion*")

153. The Cash Management Motion seeks entry of an interim order, and subsequently a final order, (a) authorizing the Debtors to maintain their existing bank accounts and Cash Management System, and directing their banks to maintain, service, and administer the Bank Accounts without interruption and in the ordinary course of business; (b) authorizing the Debtors to continue using their existing business forms and checks; (c) authorizing the Debtors to

continue to engage in intercompany transfers in the ordinary course of business and consistent with past practice; (d) authorizing the Debtors to pay any undisputed prepetition bank fees and continue to pay the bank fees in the ordinary course of business; and (e) waiving the requirement to comply with section 345 of the Bankruptcy Code, to the extent the Debtors' bank accounts do not strictly comply therewith.

154. The Debtors manage their cash, receivables, and payables through a centralized cash management system (the "***Cash Management System***"). The Cash Management System utilizes a total of 23 bank accounts[22] (collectively, the "***Bank Accounts***") as set forth on a table in the Cash Management Motion.[23] The Debtors' treasury department maintains accounting controls with respect to each of the Bank Accounts and is able to accurately trace the funds through their Cash Management System to ensure that all transactions are adequately documented and readily ascertainable, including in connection with intercompany transactions. The Debtors will maintain their books and records relating to the Cash Management System to the same extent such books and records were maintained prior to the Petition Date. Accordingly, the Debtors will be able to accurately document, record, and trace the transactions occurring within the Cash Management System for the benefit of all parties in interest.

155. Each Bank Account that is a depository account is maintained at a bank that is insured by the Federal Deposit Insurance Corporation (the "***FDIC***").[24]

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[22] All but one of the Debtors' bank accounts are located within the United States and the remaining bank account is located in Bermuda. Additionally, a non-debtor affiliate, Energy XXI Insurance Limited, maintains a bank account, as detailed in the Motion.

[23] One of these accounts, which is maintained with Credit Suisse Securities (USA) LLC, has historically been used by the Debtors to repurchase debt on the open market. No funds are held in this account and the Debtors intend to close this account.

[24] The HSBC Money Market account is not FDIC insured, but is also not a depository account.

156. As part of the Cash Management System, the Debtors maintain certain excess cash in conservative, short-term investments pursuant to the Debtors' investment policy (the "***Investment Policy***"). The Investment Policy requires that: (a) all investments comply with the First Lien Credit Agreement,[25] (b) no more than $100 million be invested in any single investment or with any single institution, and (c) transactions outside the Regions Liquidity Portal account and significant transfers of funds must be approved by officers of the Debtors.[26]

157. Pursuant to this Investment Policy, the Debtors invest excess cash in two AAA-rated money market accounts (i.e., 0071 and 4985) at the Energy XXI Gulf Coast, Inc. level,. The Debtors also maintain a money market account at the Energy XXI Ltd parent-company level that is not subject to the First Lien Credit Agreement.

158. The Investment Policy protects the safety of the Debtors' investments, while also permitting the Debtors to maximize returns on their excess cash and maintain an additional source of liquidity. Requiring the Debtors to bond these investment accounts would impose considerable costs to these estates and cause significant disruption to their Cash Management System.

159. The Debtors maintain the vast majority of their deposits with Regions Bank.[27] The Debtors, however, also maintain accounts with U.S. Bank, N.A. and First National Bank of Hebbronville ("***First National***"). As described above, the U.S. Bank account holds restricted

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[25] The First Lien Credit Agreement permits "Cash Equivalent Investments," which include, among other things, money market funds that are rated AAA by S&P or Aaa by Moody's, comply with SEC Rule 2a-7 under the Investment Company Act of 1940, and have portfolio assets in excess of $5 billion. *See* First Lien Credit Agreement §§ 1.1, 7.2.5.

[26] Transactions outside the Regions Liquidity Portal account must be approved by the Debtors' CFO and CEO. Transfers of $20 to $50 million must be approved by both the CFO and the Treasurer, and transfers over $50 million must be approved by the CFO and either the CEO or COO.

[27] Certain funds are also held in escrow accounts, which are maintained at UMB Corporate Trust and JPMorgan Chase Bank, neither of which are authorized depositories. And, the Debtors maintain an account with Credit Suisse (USA) Securities, which in not an authorized depository; however, this account does not maintain any balance and was historically used only to fund debt repurchases.

cash that is posted as collateral in connection with the Debtors' bonding requirements.[28] The First National account does not currently maintain a balance, but is funded on an as-needed basis to pay certain expenses related to the Debtors' property in Hebbronville, Texas. U.S. Bank, N.A. is a well-capitalized financial institution that is among the largest financial institutions in the United States. First National is an FDIC insured national bank that has been in business for more than 100 years. Accordingly, I believe that it is appropriate to continue to maintain their Bank Accounts at U.S. Bank, N.A. and First National.

160. Historically, after receiving revenues, the Debtors have paid any royalties, working interest payments, and other third party funds through three bank accounts, the EGC Operating Account (0374), the M21K, LLC account (5260), and the EPL Oil & Gas, Inc. account (1462), as applicable. On a postpetition basis, the Debtors request in the Cash Management Motion permission to open three new bank accounts with Regions Bank, which accounts will be used solely to hold and disburse, in the ordinary course of business, (a) funds received postpetition attributable to an overriding royalty, working interest owner, or third party, including amounts in suspense and (b) amounts received prepetition that are held in suspense.

161. In the ordinary course of business, the Debtors incur and pay, or allow to be deducted from the appropriate Bank Accounts, a number of fees and expenses related to the cost of administering the Bank Accounts, including, among other things, wire transfers and other fees, costs, and expenses standard for a typical corporate bank account (collectively, the "***Bank Fees***"). The Bank Fees are either debited directly from the Debtors' bank accounts or are paid in connection with wire transfers. The Debtors pay the Banks approximately $2,800 per month in

[28] As described in the First Day Declaration, the Debtors are required to satisfy certain financial assurance requirements imposed by the Bureau of Ocean Energy Management, which requirements include the posting of surety bonds.

the aggregate for the Bank Fees.[29] The Debtors estimate that they owe the Banks approximately $1,000 as of the Petition Date, the entirety of which will become due and payable within 21 days of the Petition Date.

162. As part of the Cash Management System, the Debtors utilize numerous preprinted business forms (the "***Business Forms***") in the ordinary course of their business. The Debtors have an inventory of check stock and business forms for the Bank Accounts that would go to waste if new checks were to be ordered and used. As a public company and to ensure appropriate messaging to the marketplace, the Debtors will be publicly disclosing and circulating materials that summarize their restructuring efforts, their status as debtors in possession, and these chapter 11 cases. I thus believe that parties doing business with the Debtors undoubtedly will be aware of their status as debtors in possession and that changing business forms is unnecessary and would be unduly burdensome.

163. To minimize expenses to their estates and avoid confusion on the part of employees, customers, and vendors during the pendency of these chapter 11 cases, the Debtors request in the Cash Management Motion that the Court authorize their continued use of all correspondence and business forms (including, without limitation, letterhead, purchase orders, invoices, and preprinted and future checks) as such forms were in existence immediately before the Petition Date, without reference to the Debtors' status as debtors in possession, rather than requiring the Debtors to incur the expense and delay of ordering entirely new business forms. Further, to the extent the Debtors exhaust their existing supply of business forms during these chapter 11 cases, the Debtors will transition to using checks and other business forms with the

[29] The Debtors' Bank Fees vary based upon the amount held in the EGC Funding Account. If the Debtors' maintain more than $50 million in the EGC Funding Account, fees are approximately $335 per month, and increase to approximately $8,640 if no funds are maintained in the EGC Funding Account.

designation "debtor in possession" and the corresponding bankruptcy case number on all such forms.

164. The Debtors make a variety of intercompany transfers (the "***Intercompany Transfers***") of funds in the ordinary course of business to ensure their businesses have ample operating liquidity. The Intercompany Transfers are made through wire transfers and direct deposits to either (a) fund certain Debtors' accounts in anticipation of business expenditures, including employee payroll and operational expenses, or (b) transfer funds to the EGC Operating Account when certain revenues or excess revenues are received.

165. As summarized above, the EGC Operating Account is the centerpiece of the Cash Management System, and receives and disburses funds, as necessary, throughout the Cash Management System. Specifically, the EGC Operating Account funds the following accounts of its subsidiaries, manually, as needed: Energy XXI GOM, LLC (0390), Energy XXI Services, LLC (0404), EPL Oil & Gas, Inc. (1462), M21K, LLC (5620), and Soileau Catering LLC (1303). Conversely, when certain revenues or excess funds are available in the Energy XXI GOM, LLC, EPL Oil & Gas, Inc., M21K, LLC, and Soileau Catering, LLC accounts, these funds are transferred either automatically or manually to the EGC Operating Account.[30]

166. Each of the Intercompany Transfers, other than the revenue transfers from Energy XXI GOM, LLC and EPL Oil & Gas, Inc. to the EGC Operating Account, is made on an as-needed basis. The Debtors track all fund transfers in their respective accounting system and can ascertain, trace, and account for all Intercompany Transfers.

167. The Intercompany Transfers are integral to the Debtors operations. For instance, the Debtors employees are paid through the Energy XXI Services, LLC zero-balance account

[30] Revenues received into the Energy XXI GOM, LLC (0390) and EPL Oil & Gas, Inc. (1462) accounts, both of which are zero-balance accounts, are automatically transferred up to the EGC Operating Account.

(ending in 0404), which is funded by the EGC Operating Account. This account does not receive any revenues or income, but is instead used to pay the Debtors' general and administrative expenses, including payroll. After payments are made through Energy XXI Services, LLC, the payments are then allocated to or among the appropriate Debtor or Debtors. Accordingly, if the Intercompany Transfers were to be discontinued the Debtors would be required to, at a minimum, restructure their payroll system, unnecessarily disrupting the Debtors' operations.

168. Further, requiring the Debtors to cease Intercompany Transfers would be a costly and time-consuming endeavor. The Debtors would be required to, among other things:

- modify their internal accounting systems;
- expend substantial employee time adjusting the Company's treasury and accounting functions;
- open new bank accounts; and
- put new general ledgers in place.

I believe that such disruptions to the Cash Management System and the Debtors' operations would be detrimental to the Debtors, their creditors, and other stakeholders, and would be a distraction to consummation of the transactions contemplated by the RSA.

169. Energy XXI maintains an additional bank account (the "***Non-Debtor Affiliate Bank Account***") for its subsidiary Energy XXI Insurance Limited, which is not a debtor in these chapter 11 cases.[31] Energy XXI Insurance Limited is a captive insurance company domiciled in Bermuda, which the Debtors utilize for purchasing seasonal hurricane insurance products. Energy XXI Insurance Limited enters into contracts directly with the insurance underwriters, and then enters into a parallel contract with Energy XXI Gulf Coast, Inc. for such insurance. Several

[31] The Non-Debtor Affiliate Bank Account is maintained at Regions Bank and the last four digits of the account number are 5043.

of the parametric placements are direct reinsurance and thus can only be purchased by an insurance company, or our captive. Energy XXI Insurance Limited is required to pay annual insurance premiums periodically. Because Energy XXI Insurance Limited does not generate revenue independently, it is therefore reliant on the Debtors to fund the Non-Debtor Affiliate Bank Account, which is in turn used to self-insure the Debtors against hurricane risk.

170. Additionally, debtor Energy XXI Gulf Coast, Inc. makes payments to Grand Isle Corridor, LP on behalf of Energy XXI GIGS Services, LLC ("***GIGS***"), a non-debtor in these chapter 11 cases ("***GIGS Payments***").[32] Historically, the GIGS Payments have been made from the EGC Operating Account. Grand Isle Corridor, LP leases a gathering system and pipeline to GIGS which is used by the Debtors in connection with the transportation of the majority of the Debtors' offshore production. Without the payments from Energy XXI Gulf Coast, Inc., GIGS cannot pay the amounts owed to Grand Isle Corridor, LP.

171. The Cash Management System constitutes an ordinary course and essential business practice and provides significant benefits to the Debtors and their estates, including the ability to: (a) control corporate funds, (b) ensure the maximum availability of funds when necessary, and (c) reduce borrowing costs and administrative expenses by facilitating the movement of funds and by providing more timely and accurate account balance information. To ensure that all transfers and transactions will be documented in their books and records, the Debtors will continue to maintain records of all transfers within the Cash Management System.

172. The Debtors request in the Cash Management Motion that their banks be directed not to honor, subject to certain exceptions approved by this Court, any checks drawn on the Debtors' bank accounts prior to the Petition Date. To assist in this process, the Debtors will

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[32] Contemporaneously herewith, the Debtors have filed the *Emergency Motion for Entry of Interim and Final Orders Authorizing the Debtors to Pay or Honor Prepetition Obligations to Critical Vendors,* which, among other things, requests authority to pay prepetition amounts owed to Grand Isle Corridor, LP.

notify each bank with a disbursement account of the commencement of these chapter 11 cases and will instruct each bank, subject to certain exceptions approved by this Court, not to honor any checks dated prior to the Petition Date and below an identified check number.

173. Requiring the Debtors to adopt new cash management systems and open new bank accounts at the same or different depository institutions at this early and critical stage of these cases would be expensive, impose needless administrative burdens on the Debtors, and would cause undue disruption to the Debtors' operations. Any such disruption would distract from consummation of the restructuring transactions contemplated by the RSA and may delay the Debtors' ability to exit chapter 11 swiftly, adversely affecting the Debtors' ability to maximize value for the benefit of creditors and other parties in interest. Moreover, such a disruption would be wholly unnecessary insofar as the continued use of the Debtors' bank accounts and Cash Management System provides a safe, efficient, and established means for the Debtors to maintain and manage their cash.

E. Emergency Motion for Entry of Interim and Final Orders Authorizing the Debtors to Pay Prepetition Royalty and Working Interest Obligations, Delay Rentals, Joint Interest Billings, Transportation Costs, and Gas Buybacks ("*Royalties Motion*")

174. In the Royalties Motion, the Debtors seek an interim order, and subsequently a final order, (a) authorizing the Debtors, among other things, to deliver funds owed to holders of Mineral and Other Interests and Working Interest owners and pay amounts owed on account of the Lease Expenses, Transportation Costs, and Gas Buybacks as required by the applicable leases and other agreements; and (b) authorizing and directing the Debtors' banks and other financial institutions to (i) honor prepetition checks and electronic requests for payment of the Obligations and (ii) honor postpetition checks and electronic requests for payment of the Obligations in the ordinary course of business.

175. The Debtors own an interest in approximately 2,821 oil, gas, and mineral leases, and are parties to approximately 218 joint operating agreements ("***JOAs***") governing operations of the leases. All of the Debtors' leasehold interests are subject to or burdened by Royalties, ORRIs, and/or Working Interests. In connection with their oil and gas assets, the Debtors are obligated, pursuant to their oil and gas leases and other agreements, to remit to the lessors of the oil and gas leases and potentially other parties their share of revenue from the producing wells located on the respective leases (the "***Royalties***"). In addition, overriding royalties (individually, "***ORRI***" and collectively, "***ORRIs***" and, together with the Royalties, the "***Mineral and Other Interests***") must be remitted to the holders of those interests.[33]

176. The Debtors are also obligated under various agreements to market the oil and gas production (the "***Marketed Production***") of certain owners of working interests (the "***Working Interests***") to potential purchasers and remit the amounts due to the appropriate parties on account of such Marketed Production (the "***Working Interest Obligations***"). Specifically, following the sale of Marketed Production and the receipt of proceeds attributable thereto, the Debtors are obligated to remit the amount of those proceeds belonging to the Working Interest owner, net of all applicable Mineral and Other Interests, gathering costs, processing and Transportation Costs (as defined below), and production taxes. The Working Interest Obligations also require the Debtors to process and forward to the appropriate parties, from funds otherwise belonging to third parties, the amounts due on account of the Mineral and Other Interests, gathering costs, processing and Transportation Costs, and production taxes.

177. Failure to forward all required amounts to holders of Mineral and Other Interest and Working Interest owners could have a material adverse effect upon the Debtors and their

[33] For the avoidance of doubt, the Debtors are also obligated to remit a portion of the revenue from producing wells that remains after deducting the amounts attributable to the foregoing interests to the owners of the Working Interests in those wells.

operations, including, without limitation, potential cancellation, forfeiture, or termination of oil and gas leases, penalties and interest, turnover actions, conversion and constructive trust claims, assertion of significant secured claims against property of the Debtors' estates, litigation, and, in some instances, attempted removal of the Debtors as operator. In certain circumstances, the Debtors have received payment for the share of proceeds due to the holders of Mineral and Other Interests and Working Interest owners; however, due to timing, such proceeds were not been remitted to such holders of Mineral and Other Interests and Working Interest owners prior to the Petition Date.

178. As of the Petition Date, the Debtors estimate that they owe approximately $10.2 million to the holders of the Mineral and Other Interests and Working Interest owners.[34] Of this amount, approximately $2.6 million is attributable to suspended funds (the "***Suspended Funds***").[35] In the Royalties Motion, the Debtors request authority to pay approximately $10.2 million in prepetition amounts owed to holders of the Mineral and Other Interests and Working Interest owners. Of this amount, the Debtors request authority to pay approximately $7.5 million under the Interim Order to holders of Mineral and Other Interests and Working Interest owners during the first 21 days of these chapter 11 cases.

179. The Debtors from time to time are required to make rental payments during a term of a lease (the "***Delay Rentals***"). Payment of the Delay Rentals postpones the Debtors' obligation under a lease for initial exploration and development of such lease for the entire

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[34] Under the Debtors' current revenue distribution system, the Debtors are unable to separate amounts attributable to Mineral and Other Interests and Working Interest Obligations.

[35] The Suspended Funds represent amounts that are due and owing to certain holders of Mineral and Other Interests but are otherwise unpayable for a variety of reasons, including, among other things, incorrect contact information, ongoing disputes over ownership of the underlying interest, and failure to meet minimum payout requirements. To the extent that the issue preventing payment of Suspended Funds to a particular interest holder is resolved, the Debtors release the Suspended Funds in question in the ordinary course of business.

period for which they are paid. Thus, if the Delay Rentals are paid on or before the anniversary date for each year during the primary term of each lease, each lease will be maintained in full force and effect and the Debtors will not be required to prematurely engage in exploration and development on such lease. If the Delay Rentals are not paid and the Debtors do not engage in initial exploration and development, the lease will terminate. Accordingly, I believe that failure to pay the Delay Rentals could have a material adverse effect upon the Debtors and their operations, including, among other things, the loss of the underlying lease. The Debtors do not believe any prepetition Delay Rentals are owed and likewise do not believe any Delay Rentals will become due and owing during the first 21 days of these chapter 11 cases. However, in an abundance of caution, the Debtors seek authority in the Royalties Motion to pay any prepetition Delay Rentals and any Delay Rentals that become due and owing during the first 21 days of these chapter 11 cases.

180. Although the Debtors generally operate the wells in which they own an interest, there are certain instances in which the Debtors hold non-operating working interests in wells under various JOAs. In such instances, the Debtors receive payment representing their share of production revenues. The Debtors receive revenue receipts from the operators and directly from the purchasers, and then reimburse the operators for their share of production costs through payment of joint-interest billings ("***JIBs***"). The JOAs often grant the operator a contractual lien upon the Debtors' interest in a well and the underlying lease that may include: (a) all equipment installed on the lease; (b) all hydrocarbons or other minerals severed and extracted from or attributable to the lease; (c) all accounts and proceeds of sale, contract rights, and general intangibles arising in connection with the sale; (d) fixtures; and (e) any and all accessions, additions, and attachments thereto and the proceeds and products therefrom. The lien may

purport to secure the payment of all charges, fees, court costs, and other directly related collection costs. If the Debtors do not pay charges when due, the operator may also attempt to assert additional rights to collect from the purchaser of the Debtors' hydrocarbon production until the amount owed has been paid or setoff or recoup such amounts from funds owed to the Debtors. As such, I believe that failure to timely pay JIBs owing by the Debtors is likely to lead to instances of attempted setoff or recoupment. The Debtors request in the Royalties Motion authority to pay approximately $5.7 million in prepetition JIB amounts. Of this amount, the Debtors request authority to pay approximately $4.3 million under the Interim Order for JIB amounts that will become due and owing during the first 21 days of these chapter 11 cases.

181. In addition to the various expenses owed in connection with existing wells, the Debtors incur liabilities through their efforts to secure additional oil and gas leases and extend certain other leases. The Debtors often solicit potential and current lessors by sending a letter expressing a desire to enter into or extend a lease arrangement and enclosing a proposed lease or lease amendment, as applicable. To entice potential and current lessors to execute and return the appropriate documentation, the Debtors may also include an Offer to Lease (an "***OTL***" and, together with the Delay Rentals and JIBs, the "***Lease Expenses***"). An OTL is the mechanism by which cash and additional cash consideration is provided to the lessor if the lease or lease amendment and OTL are both signed and returned to the Debtors. Once both executed documents are received, the Debtors send a check in the amount required under the OTL. In the Royalties Motion, the Debtors request authority to continue honoring amounts due in connection with the OTLs that are signed and returned after the Petition Date. As of the Petition Date, the Debtors do not believe they have any outstanding OTL liabilities and likewise do not believe any OTL liabilities will become due and payable during the first 21 days of these chapter 11 cases.

However, in an abundance of caution, the Debtors seek authority in the Royalties Motion to pay any prepetition OTL liabilities and any OTL liabilities that become due and payable during the first 21 days of these chapter 11 cases.

182. The Debtors sell a majority of their production at the wellhead. In such instances, the purchaser of the production takes ownership at the wellhead and the Debtors do not incur transportation costs. In instances where production is not sold at the wellhead, the Debtors are obligated under various transportation agreements (the "***Transportation Agreements***") to pay certain costs associated with the transportation of gas, plant thermal reduction, and in certain circumstances, crude (the "***Transportation Costs***"). The Debtors request authority in the Royalties Motion to pay approximately $3.9 million in prepetition Transportation Costs. Of this amount, the Debtors request authority to pay approximately $2.9 million under the Interim Order on account of Transportation Costs that will become due and owing during the first 21 days of these chapter 11 cases.

183. The Debtors' production operations are generally powered from gas extracted from the Debtors' operating wells. Certain of the Debtors' wells and production facilities require more gas for production operations than such wells produce. In such instances, the Debtors contract with third parties (the "***Gas Sellers***") to purchase gas (the "***Gas Buybacks***" and, together with the Mineral and Other Interests, the Working Interest Obligations, the Lease Expenses, and the Transportation Costs, the "***Obligations***") to make up for the gas deficiency and power their productions operations. Without the Gas Buybacks, the Debtors cannot maintain their production operations. The Debtors pay the Gas Sellers for the Gas Buybacks one month in arrears. The Debtors request authority in the Royalties Motion to pay approximately $113,000 in prepetition Gas Buybacks. Of this amount, the Debtors request authority to pay approximately

$85,000 under the Interim Order on account of Gas Buybacks that will become due and owing during the first 21 days of these chapter 11 cases.

184. If the Debtors fail to satisfy the prepetition Lease Expenses, Transportation Costs, and Gas Buybacks as they become due, I believe that the Debtors' drilling and production operations will be severely impacted, production may completely cease for certain wells, or leases may be lost. The Debtors' ongoing operations depend, to a significant degree, on their relationship with the parties to whom Lease Expenses, Transportation Costs, and Gas Buybacks are owed. If these relationships are harmed, either through the non-payment of Lease Expenses, Transportation Costs, or Gas Buybacks as they become due or through the perceived difficulties of dealing with chapter 11 debtors, I believe that the Debtors are likely to encounter particularized controversies with each counterparty, unnecessary costs and distractions, and corresponding harm to their businesses with the possible loss of the Debtors' going-concern value.

185. With respect to the Transportation Costs, the Debtors have issued letters of credit ("***LOCs***") to a majority of their Transportation Agreement counterparties. Thus, if the Debtors fail to pay amounts due and owing under the Transportation Agreements, the counterparties to such Transportation Agreements may draw under the LOCs to recoup such unpaid amounts. Additionally, in certain circumstances, failure to pay amounts due and owing under the Transportation Agreements could permit such Transportation Agreement counterparties to seek to shut-in the Debtors' wells. I believe that these occurrences would directly, immediately, and negatively impact the Debtors' operations, their creditors, and other parties in interest. Accordingly, I believe that satisfaction of the Lease Expenses, Transportation Costs, and Gas Buybacks as they become due is in the best interest of the Debtors and their estates.

186. The Debtors have sufficient liquidity to pay the amounts described in the Royalties Motion in the ordinary course of business by virtue of expected cash flows from ongoing business operations and anticipated access to cash collateral. In addition, under the Debtors' existing cash management system, the Debtors can readily identify checks, wire transfers, or electronic fund transfer requests as relating to an authorized payment in respect of the payments requested to be made through this Motion. Accordingly, I believe that checks, wire transfers, and electronic transfer requests, other than those relating to authorized payments, will not be honored inadvertently.

F. Emergency Motion for Entry of Interim and Final Orders Authorizing the Payment of Certain Prepetition Taxes and Fees (the "*Taxes Motion*")

187. The Taxes Motion seeks authority to remit and pay certain prepetition taxes and fees (the "***Taxes and Fees***") that accrued before the Petition Date and will become payable during the pendency of these cases. The Debtors also request that the Court authorize applicable financial institutions, when the Debtors so request, to receive, process, honor, and pay any and all checks or electronic payment requests in respect of the Taxes and Fees.

188. In the ordinary course of business, the Debtors collect, withhold, and incur franchise, property, ad valorem, sales and use, and severance taxes, as well as certain other administrative, environmental, and regulatory fees, as more fully described in the Taxes Motion. The Debtors remit the Taxes and Fees to various federal, state, and local governments, including taxing and licensing authorities (the "Authorities"). The Debtors estimate that approximately $2,240,000 in Taxes and Fees have accrued and remain unpaid as of the Petition Date, approximately $705,000 of which will become due and owing to the Authorities during the first 21 days after the Petition Date.

189. Payment of the Taxes and Fees is critical to the Debtors' continued and uninterrupted operations. The Debtors' failure to pay prepetition Taxes and Fees may cause the Authorities to take precipitous action, including, but not limited to, conducting audits, filing liens, preventing the Debtors from doing business in certain jurisdictions, seeking to lift the automatic stay, or possibly seeking to impose personal liability on the Debtors' officers and directors for certain unpaid taxes, all of which would greatly disrupt the Debtors' operations and ability to focus on their efforts to reorganize swiftly and efficiently.

190. I believe that the relief requested in the Taxes Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in chapter 11 without disruption. Accordingly, on behalf of the Debtors, I respectfully submit that the Taxes Motion should be approved.

G. Emergency Motion for Entry of Interim and Final Orders Authorizing the Debtors to Pay Obligations to Critical Vendors ("*Critical Vendors Motion*")

191. The Critical Vendors Motion seeks authority to pay amounts owed to certain vendors that are critical to the Debtors' business operations (the "***Critical Vendors***"). The Debtors also request that the Court authorize and direct the applicable financial institutions (i) to receive, process, honor, and pay any and all prepetition checks or electronic payment requests by the Critical Vendors (the "***Obligations***") and (ii) to receive, process, honor, and pay any and all postpetition checks or electronic payment requests with respect to the Obligations in the ordinary course of business.

192. The Debtors, in consultation with their professional advisors, meticulously reviewed a list of approximately 1,700 vendors to determine which vendors were absolutely critical to their business operations. Among other criteria, the Debtors considered a vendor to be critical only if the goods and services provided by such vendor cannot be easily and efficiently

replaced, which is often the case in remote locations where the pool of available vendors is limited, when a highly-skilled work force is involved, or, as is the case here, in the Gulf of Mexico where alternatives are typically limited and even a short-term interruption of services or supplies is especially critical. Additionally, the Debtors considered the importance of the vendor to the Debtors' business operations, the likelihood that the vendor would discontinue service if not timely paid, the ability of the vendor to assert liens, and whether the vendor was a party to a contract with the Debtors and any terms thereof (*i.e.*, short-term termination rights).

193. I believe that each of the Critical Vendors described in the Critical Vendors Motion provide goods and services that are critical to the Debtors drilling and production operations and cannot easily and effectively be replaced. I also believe that failure to pay Critical Vendors for certain services would likely result in a severe disruption or cessation of the Debtors' operations and the revenues derived therefrom, as well as, among other things, giving rise to reclamation demands, statutory liens and administrative expense claims. Absent payment, I believe that the Critical Vendors are only likely to continue supplying their goods and services on trade terms much less favorable than customary. These effects would greatly disrupt the Debtors' ability to focus on their efforts to reorganize swiftly and efficiently. Ultimately, I do not believe that there is a practical, cost-efficient, and timely alternative to payment of the Critical Vendors by which the Debtors can protect the value of their bankruptcy estates.

194. For these reasons, the Debtors seek in the Critical Vendors Motion to minimize the adverse business effects, as well as the cash flow impact, arising from their chapter 11 filing and possible irreparable harm to the fullest extent possible by obtaining authority from this Court to pay certain of their vendors that may have lien rights and/or that are so essential to the

Debtors' business operations that the loss of the goods and services provided by such vendors would cause immediate and irreparable harm to the going-concern value of the Debtors' estates.

195. The Debtors have sufficient liquidity to pay the amounts described in this Motion in the ordinary course of business by virtue of expected cash flows from ongoing business operations and anticipated access to cash collateral. In addition, under the Debtors' existing cash management system, the Debtors can readily identify checks, wire transfers, or electronic fund transfer requests as relating to an authorized payment in respect of the payments of the Obligations. Accordingly, I believe that checks, wire transfers, and electronic transfer requests, other than those relating to authorized payments, will not be honored inadvertently.

196. I believe that the relief requested in the Critical Vendors Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in chapter 11 without disruption. Accordingly, on behalf of the Debtors, I respectfully submit that the Critical Vendors Motion should be approved.

H. Emergency Motion for Entry of Interim and Final Orders Authorizing the Debtors to Pay Prepetition Amounts Arising Under Insurance Policies ("*Insurance Motion*")

197. Pursuant to the Insurance Motion, the Debtors seek entry of an order authorizing the Debtors to pay any Prepetition Insurance Claims. In the ordinary course of business, the Debtors maintain Third-Party Insurance Policies that are administered by multiple third-party insurance carriers, a Mutual Insurance Policy, and a Captive Insurance Policy. The Insurance Policies provide coverage for, among other things, physical damage to oil and gas infrastructure, excess liability, operator's extra expense, general liability, workers' compensation, offshore workers compensation, aviation liability, automobile liability, maritime employer's liability, inland marine and related property, boiler and machinery property, commercial property, oil

pollution liability, director and officer liability, key man insurance, ranch liability, catering liability and flood coverage.

198. As of the Petition Date, the Debtors believe that within the first 21 days after the Petition Date, $15,000 in prepetition amounts is due and payable on account of the Mutual Insurance Policy, and $10,000 in prepetition amounts is due and payable on account of the Soileau Catering, LLC insurance policy.

199. The success of the Debtors' efforts to operate effectively and efficiently in chapter 11 will depend on, among other things, the maintenance of the Insurance Policies on an uninterrupted basis. In addition, the Debtors believe that any unsecured creditors' committee appointed in the Cases would expect and demand that the Debtors maintain, at a minimum, certain property and liability Insurance Policies. Furthermore, pursuant to the Guidelines, the Debtors have a fiduciary obligation and a legal duty to maintain the Insurance Policies.

200. The Debtors' failure to pay the Prepetition Insurance Claims, as and when they become due, could affect their ability to renew the Insurance Policies, which could have a material adverse effect on the Debtors' operations. If the Insurance Policies are allowed to lapse or are terminated, or if the Debtors default under the Insurance Policies based on their non-payment of Prepetition Insurance Claims, the Debtors could be exposed to substantial liability for damages resulting to persons and property of the Debtors and others. This exposure would negatively impact the Debtors' ability to operate in chapter 11.

201. In light of the importance of maintaining insurance coverage with respect to their business operations, the Debtors respectfully submit that it is in the best interest of the Debtors' estates to pay the Prepetition Insurance Claims. Failure to pay premiums when due would harm

the Debtors' estates, would constitute cause for conversion or dismissal of the Cases under section 1112 of the Bankruptcy Code, and would run afoul of the Guidelines.

202. I believe that the relief requested in the Insurance Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in chapter 11 without disruption. Accordingly, on behalf of the Debtors, I respectfully submit that the Insurance Motion should be approved

I. Emergency Motion for Interim and Final Orders Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Interests in the Debtors' Estates ("*Equity Trading Motion*")

203. In the Equity Trading Motion, the Debtors seek entry of an interim order, and subsequently entry of a final order, authorizing the Debtors to: (a) establish and implement restrictions and notification requirements regarding the Tax Ownership and certain transfers of Debtor Energy XXI's existing common stock (the "***Common Stock***"), 5.625% Perpetual Convertible Preferred Stock (the "***5.625% Preferred Stock***"), and 7.25% Perpetual Convertible Preferred Stock (the "***7.25% Preferred Stock***" and, together with the Common Stock and the 5.625% Preferred Stock, the "***Stock***"); (b) notify holders of Stock of the restrictions, notification requirements, and procedures set forth herein; and (c) direct that any purchase, sale, or other transfer of Stock in violation of the procedures set forth herein shall be null and void *ab initio*.

204. I understand that a company generates net operating losses ("***NOLs***") if its expenses exceed revenues generated during a single tax year. The Debtors have incurred and expect to continue to incur significant NOLs. I estimate that as of June 30, 2015, the Debtors have NOLs of $1,019,541,604 and $773,342,728 for federal and state tax reporting purposes, respectively. In addition, as of June 30, 2015, the Debtors have generated $282,006 in minimum tax credits ("***AMT Credits***") and $384,003 in general business credits ("***Business Credits***" and together with the AMT Credits and the NOLs, the "***Tax Attributes***") for federal tax reporting

purposes.[36] I also understand that the Tax Attributes are extremely valuable assets of the Debtors' estates, because the Internal Revenue Code ("***IRC***") allows a corporation to "carry forward" certain tax attributes to offset taxable income and tax liability, thereby reducing future aggregate tax obligations and enhancing the corporation's liquidity in the future. Accordingly, the value of the Tax Attributes could provide a significant benefit to the Debtors' estates and will inure to the benefit of all of the Debtors' stakeholders.

205. I understand that if a corporation undergoes an Ownership Change other than through a confirmed chapter 11 bankruptcy plan, the IRC limits such corporation's ability to use its Tax Attributes to offset future income. An Ownership Change in the Debtors before the confirmation of a plan thus could result in a significant – and potentially total – loss in the value of the Tax Attributes to the Debtors. Accordingly, in the Equity Trading Motion, the Debtors request certain restrictions on the trading in Energy XXI's Stock (the "***Procedures***").

206. I believe that the Debtors' ability to meet the requirements of the applicable tax laws to protect their Tax Attributes may be seriously jeopardized unless procedures are established to ensure that certain trading in Stock is either precluded or closely monitored and made subject to Court approval. I also believe that the proposed Procedures are necessary to protect the value of the Tax Attributes, which are valuable assets of the Debtors' estates, while providing appropriate latitude for trading in Stock below specified levels.

J. Emergency Motion for Entry of Interim and Final Orders Providing Adequate Assurance of Utility Payments ("*Utilities Motion*")

207. Pursuant to the Utilities Motion, the Debtors seek entry of interim and final orders (a) prohibiting utility companies from altering, refusing, or discontinuing services to the Debtors

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[36] I understand that the Tax Attributes have been reduced to account for cancellation of indebtedness income ("***CODI***"). The Debtors generated approximately $1.49 billion in CODI as a result of debt repurchases by the Debtors in 2015 and 2016 for less than the adjusted issue price of such debt.

and (b) approving the amount and method by which the Debtors may furnish certain utilities with adequate assurance of payment for post-petition utility services.

208. Numerous Utilities provide the Debtors with traditional utility services, such as telephone and communications, information technology, electricity, water, waste management and other similar services that are necessary for the continued operation of the Debtors' day-to-day affairs. On average, the Debtors pay approximately $800,350 each month for Utilities Services, calculated as a historical average for the 12-month payment period ended March 31, 2016. Three of the Utilities hold deposits from the Debtors, totaling approximately $25,000.

209. Uninterrupted utility service is critical to the Debtors' ability to operate and maintain the value of their businesses and to maximize value for the benefit of their creditors. The Debtors could not operate their businesses without utility service. Should any Utility refuse or discontinue service, the Debtors would be forced to limit or cease operations. Such a cessation would substantially disrupt the Debtors' operations and result in revenue loss, which could irreparably harm and jeopardize the Debtors' operations and strategic objectives. Accordingly, it is essential that the Utilities Services continue uninterrupted during the chapter 11 cases. For the foregoing reasons, I respectfully submit that the relief requested in the Utilities Motion should be granted.

K. Application for Entry of an Order Authorizing the Retention and Appointment of Epiq Bankruptcy Solutions, LLC as Claims, Balloting and Noticing Agent to the Debtors, Effective Nunc Pro Tunc to the Petition Date ("*Claims Agent Application*")

210. Pursuant to the Claims Agent Application, the Debtors seek entry of an order appointing Eqiq Bankruptcy Solutions, LLC as the Claims and Noticing Agent for the Debtors in their chapter 11 cases, to, among other tasks, (i) serve as the noticing agent to mail notices to the estates' creditors, equity security holders, and parties in interest; (ii) provide computerized

claims, objection, soliciting, and balloting database services; and (iii) provide expertise, consultation, and assistance in claim and ballot processing and other administrative services with respect to the Debtors' bankruptcy cases, pursuant to the Services Agreement, which is attached as Exhibit B to the Claims Agent Application.

211. Epiq Bankruptcy Solutions, LLC is one of the country's leading chapter 11 administrators, with significant experience in noticing, claims administration, solicitation, balloting, and facilitating other administrative aspects of chapter 11 cases. Epiq Bankruptcy Solutions, LLC has substantial experience providing services, including claims and noticing services, in matters comparable in size and complexity to this matter.

212. Given the complexity of these chapter 11 cases and the number of creditors and other parties in interest involved in these chapter 11 cases, I believe that appointing Epiq Bankruptcy Solutions, LLC as the notice and claims agent in these chapter 11 cases will maximize the value of the Debtors' estates for all its stakeholders. Accordingly, on behalf of the Debtors, I respectfully submit that the Claims and Noticing Agent Application be approved.

L. Emergency Motion (A) For Authority to File a Consolidated List of Creditors; (B) For Authority to File a Consolidated List of 50 Largest Unsecured Creditors; and (C) For Approval of the Form and Manner of Notifying Creditors of the Commencement of the Chapter 11 Cases and Other Information (the "*Consolidated Creditors List Motion*")

213. There are thousands of creditors and parties in interest in the Cases. The size and magnitude of the noticing process to parties in interest would make it impracticable for the Clerk of Court to undertake that task. The Debtors maintain lists of the names and addresses of all such entities on various computer programs that permit the Debtors or an outside firm to print mailing labels for each such entity. I believe that the most effective and efficient manner by which to accomplish the process of photocopying and transmitting notices in the Cases is to authorize Epiq Bankruptcy Solutions, LLC, Inc., the Debtors' proposed noticing and claims agent (the

"Noticing and Claims Agent"), to act as an authorized noticing agent of the Court. The Debtors will separately file an application to employ the Noticing and Claims Agent to serve this purpose.

214. Because the preparation of separate lists of creditors for each Debtor would be expensive, time consuming, and administratively burdensome, I believe the filing of a consolidated list of creditors (the "***Creditors Matrix***") and Top 50 List will help alleviate administrative burdens, costs and the possibility of duplicative service.

215. I believe that service of the single Notice of Commencement will not only avoid confusion among the Debtors' creditors, but will prevent the Debtors' estates from incurring unnecessary costs associated with serving multiple notices to the parties listed on the Debtors' voluminous master creditors' matrix. Accordingly, I believe that service of a single Notice of Commencement is warranted.

216. For the foregoing reasons, I believe that it is in the best interests of the Debtors, their estates and creditors, and all other parties in interest that the Court grant the relief requested in the Consolidated Creditors Motion.

M. Emergency Motion for Entry of an Order Extending Time to File Schedules of Assets and Liabilities, Schedules of Current Income and Expenditures, Schedules of Executory Contracts and Unexpired Leases, and Statements of Financial Affairs ("*Schedules and Statements Motion*")

217. The Debtors' management and employees, together with the Debtors' outside legal and financial advisors, have begun compiling the information necessary to complete the Schedules and Statements; however, due to the size and complexity of the Debtors' businesses, their limited staffing, and their pre-petition focus on restructuring their financial affairs, the Debtors have not yet had a sufficient opportunity to complete the preparation of the Schedules and Statements. While the Debtors maintain extensive books and records, completing the

Schedules and Statements will require the collection, analysis, and compilation of a significant amount of data. Meanwhile, the Debtors are experiencing the considerable stresses of preparing for the filing of the Cases, transitioning into chapter 11, and the preexisting, ongoing responsibilities of operating their business. Accordingly, I do not anticipate the Debtors will be capable of finalizing their Schedules and Statements within the 14-day period prescribed by the Bankruptcy Rules.

218. Granting the Debtors additional time to collect the data needed to prepare and file the Schedules and Statements will greatly enhance their accuracy, while allowing the Debtors to simultaneously focus their attention on other high priority matters in the early stages of the Cases. I anticipate that it will take the Debtors' management and employees, with the assistance of their legal and professional advisors, 44 days to complete, review, and file the Schedules and Statements with the Court.

219. For the foregoing reasons, I believe that it is in the best interests of the Debtors, their estates and creditors, and all other parties in interest that the Court grant the relief requested in the Schedules and Statements Motion.

N. Notice of Designation as Complex Chapter 11 Cases (the "*Notice of Complex Designation*")

220. Currently, the Debtors' have total debt of more than $10 million in the aggregate, there are more than 50 parties in interest in these cases, and claims against the Debtors are publicly traded. I believe that application of the Complex Chapter 11 Procedures to these cases will assure appropriate notice of the filings in these cases, assist in the efficient administration of the Debtors' estates, and serve the best interests of the Debtors and their creditors and equity holders. Accordingly, I believe that it is in the best interests of the Debtors, their estates and

creditors, and all other parties in interest that the Court grant the relief requested in the Notice of Complex Designation.

Exhibit B

Corporate Structure Chart

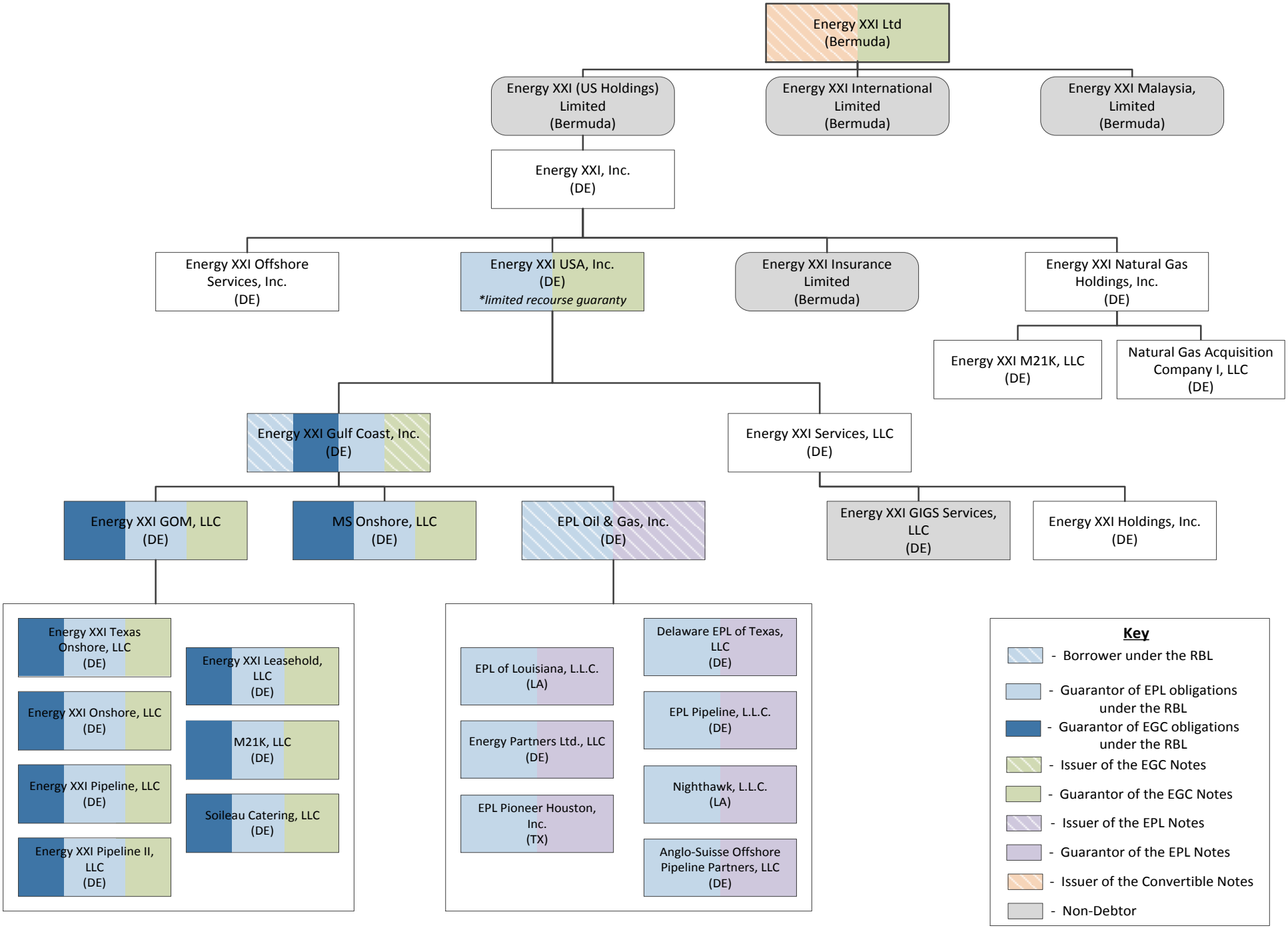
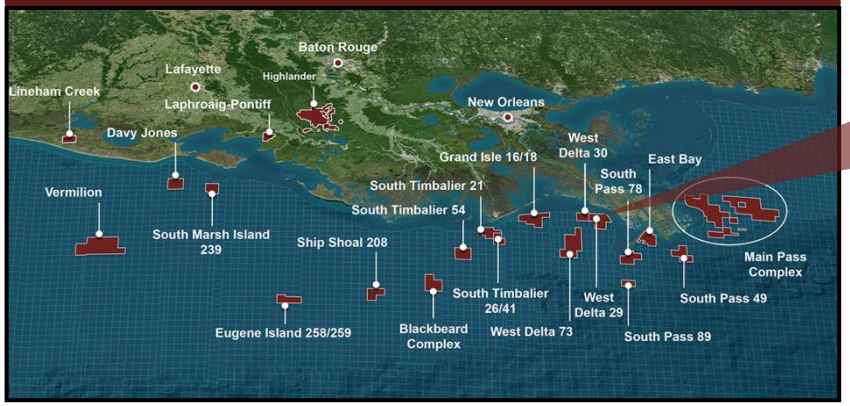

Energy XXI Ltd (Bermuda)
Energy XXI (US Holdings) Limited (Bermuda)
Energy XXI International Limited (Bermuda)
Energy XXI Malaysia, Limited (Bermuda)
Energy XXI, Inc. (DE)
Energy XXI Offshore Services, Inc. (DE)
Energy XXI USA, Inc. (DE) *limited recourse guaranty
Energy XXI Insurance Limited (Bermuda)
Energy XXI Natural Gas Holdings, Inc. (DE)
Energy XXI M21K, LLC (DE)
Natural Gas Acquisition Company I, LLC (DE)
Energy XXI Gulf Coast, Inc. (DE)
Energy XXI Services, LLC (DE)
Energy XXI GOM, LLC (DE)
MS Onshore, LLC (DE)
EPL Oil & Gas, Inc. (DE)
Energy XXI GIGS Services, LLC (DE)
Energy XXI Holdings, Inc. (DE)
Energy XXI Texas Onshore, LLC (DE)
Energy XXI Onshore, LLC (DE)
Energy XXI Pipeline, LLC (DE)
Energy XXI Pipeline II, LLC (DE)
Energy XXI Leasehold, LLC (DE)
M21K, LLC (DE)
Soileau Catering, LLC (DE)
EPL of Louisiana, L.L.C. (LA)
Energy Partners Ltd., LLC (DE)
EPL Pioneer Houston, Inc. (TX)
Delaware EPL of Texas, LLC (DE)
EPL Pipeline, L.L.C. (DE)
Nighthawk, L.L.C. (LA)
Anglo-Suisse Offshore Pipeline Partners, LLC (DE)
Key
- Borrower under the RBL
- Guarantor of EPL obligations under the RBL
- Guarantor of EGC obligations under the RBL
- Issuer of the EGC Notes
- Guarantor of the EGC Notes
- Issuer of the EPL Notes
- Guarantor of the EPL Notes
- Issuer of the Convertible Notes
- Non-Debtor

Exhibit C

Detailed Descriptions of the Debtors' Major Oil Fields

West Delta 30 Overview

Locator Map

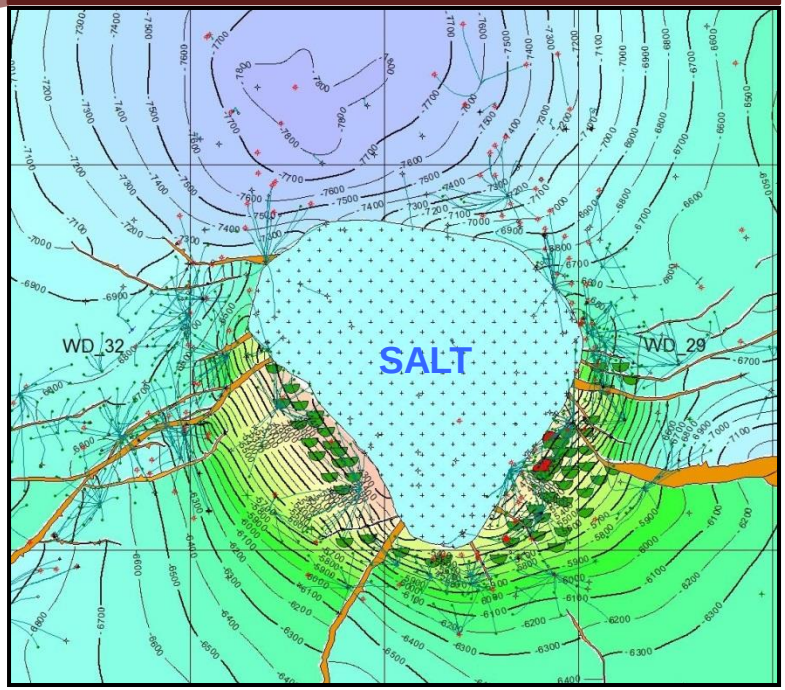


Key Field Statistics

- Discovered 1948 by Humble, located in 45' WD
- EXXI operates with 100% WI / 88% NRI
- Acquired by EXXI in 2010 from Exxon & 2014 from EPL
- Cumulative Production(2): 587 MMBO + 965 BCF
- Current Net Production: 4,280 BO/d + 8 MMCF/d
- Infrastructure: 45 Active Structures / 98 Active wells
- 25–30 stacked predominantly oil reservoirs from 2,000' to 18,000'
- Last drilling program conducted in 2014

#1 Largest Oil Field on GoM OCS Shelf(1)

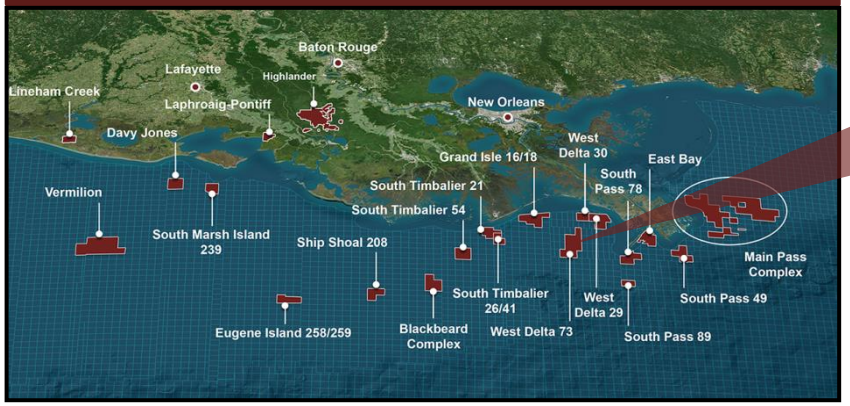
West Delta 30 Field



(1) Rankings based on cumulative oil production of OCS fields in less than 500' WD.
(2) Cumulative production through 10/31/2015 for entire West Delta 30 OCS field per OWL (not only EXXI acreage).

West Delta 73 Overview

Locator Map

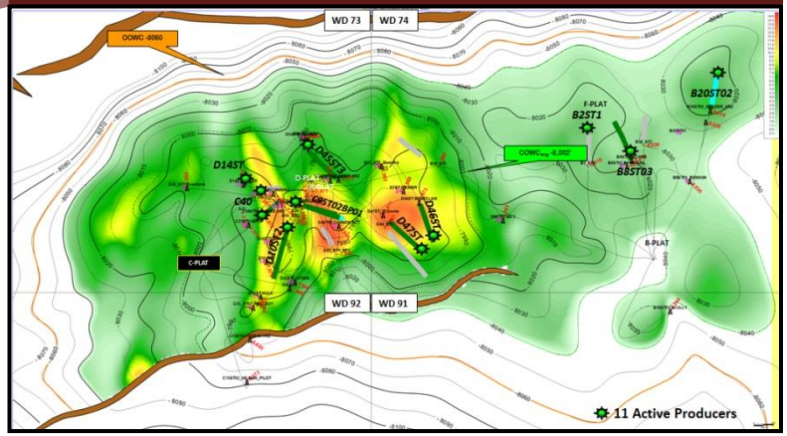


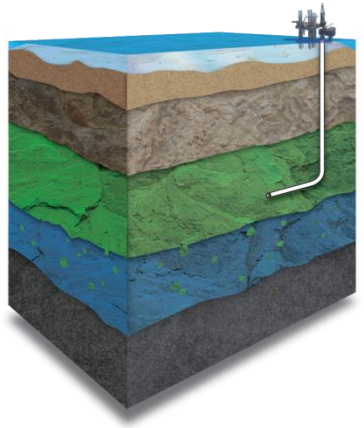
Key Field Statistics

- EXXI operates with 100% WI / 83% NRI
- Acquired by EXXI in 2010 from Exxon
- Cumulative Production(2): 273 MMBO + 681 BCF
- Current Net Production: 4,660 BO/d + 3 MMCF/d
- Infrastructure: 7 Platforms / 51 Active wells
- 13 stacked predominantly oil reservoirs
- EXXI conducted drilling program from 2012 to 2015, exploiting field with predominantly horizontal drilling

6th Largest Oil Field on GoM OCS Shelf(1)

West Delta 73 Field



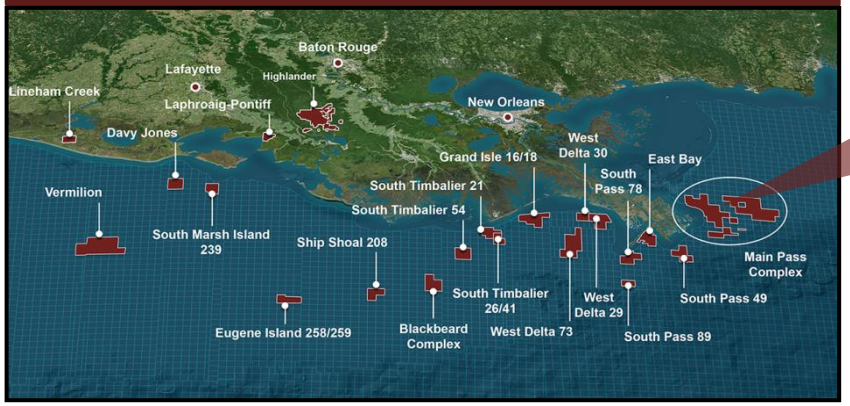


Recent field redevelopment utilizing horizontal drilling

(1) Rankings based on cumulative oil production of OCS fields in less than 500' WD.
(2) Cumulative production through 10/31/2015 for entire West Delta 73 OCS field per OWL (not only EXXI acreage).

Main Pass Area Overview

Locator Map

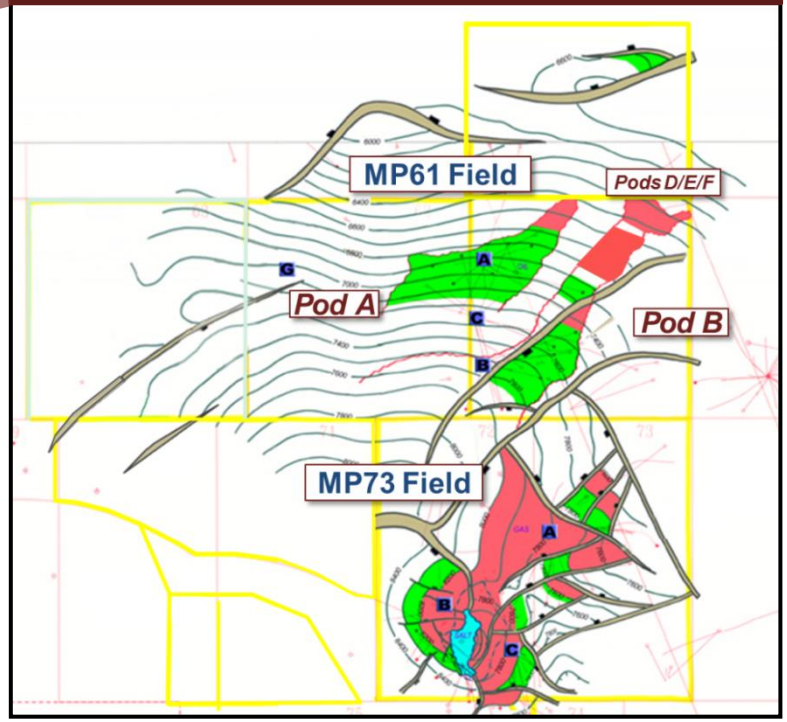


Key Field Statistics

- MP 61 discovered by Pogo by 2000, MP 73 by Mobil in 1976
- Located in 70–160' WD
- EXXI operates with 100% WI / 78–83% NRI
- Acquired by EXXI in 2007 from Pogo & 2009 from Mitsui
- Cumulative Production(2): 107 MMBO + 308 BCF
- Current Net Production: 4,900 BO/d + 3 MMCF/d
- Infrastructure: 9 Platforms / 55 Active wells
- MP 61: 7 stacked predominantly oil reservoirs
  MP 73: 35 stacked predominantly oil reservoirs
- Last well drilled in November 2014 (MP 61 B-10 Toro)

34th Largest Oil Field on GoM OCS Shelf(1)

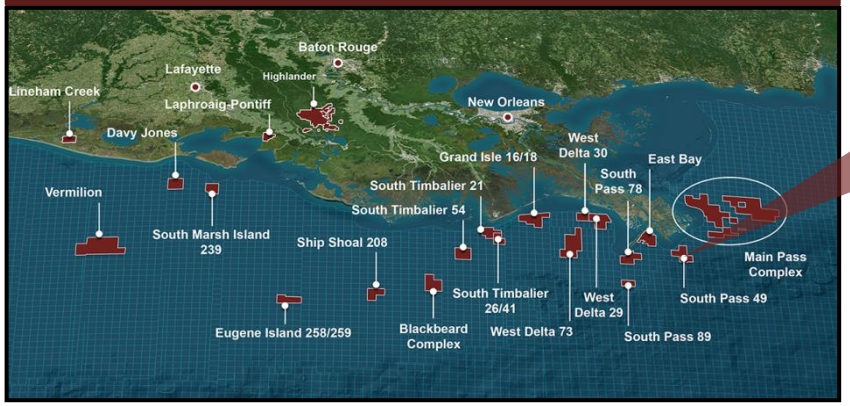
Main Pass Complex



(1) Rankings based on cumulative oil production of OCS fields in less than 500' WD, MP 61 and MP 73 combined.
(2) Cumulative production through 10/31/2015 for combined MP 61 and MP 73 fields

South Pass 49 Overview

Locator Map

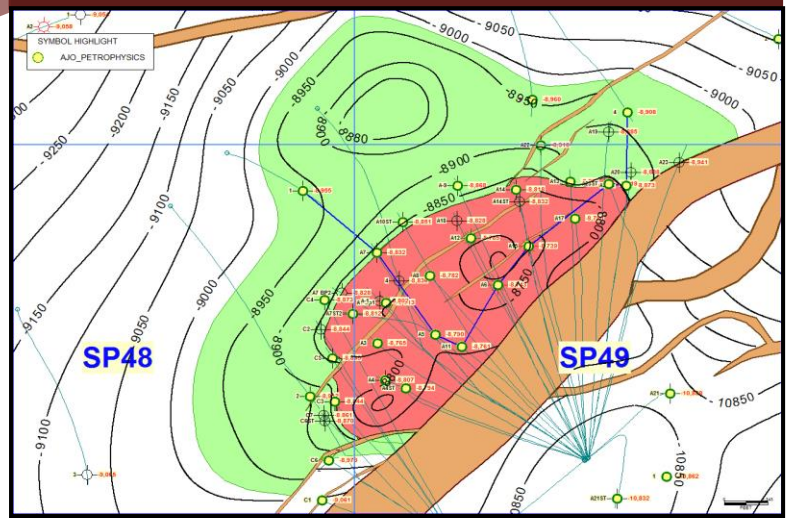


Key Field Statistics

- Discovered 1977 by Gulf, located in 390' WD
- EXXI operates with 100% WI / 83% NRI
- Acquired by EXXI in 2007 from Pogo & 2009 from Mitsui
- Cumulative Production(2): 84 MMBO + 221 BCF
- Current Net Production: 1,590 BO/d + 9 MMCF/d
- Infrastructure: 1 Active Platform / 14 Active wells
- 12 stacked predominantly oil reservoirs
- Last well drilled in 2001

42nd Largest Oil Field on GoM OCS Shelf(1)

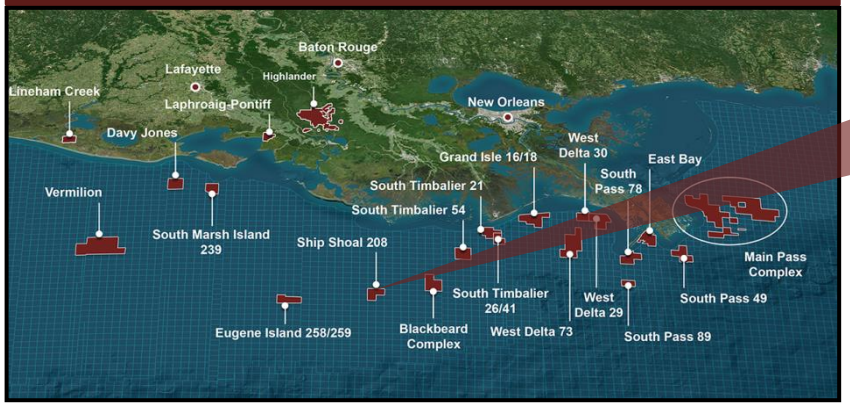
South Pass 49 Field



(1) Rankings based on cumulative oil production of OCS fields in less than 500' WD.
(2) Cumulative production through 10/31/2015 for entire South Pass 49 OCS field per OWL (not only EXXI acreage).

Ship Shoal 208 Overview

Locator Map

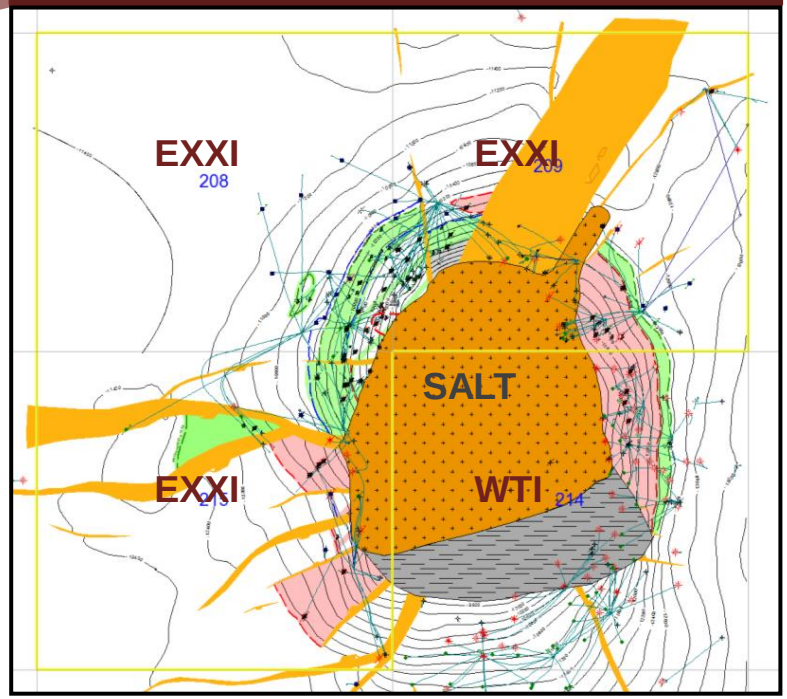


Key Field Statistics

- Discovered 1963 by Unocal, located in 85–100' WD
- EXXI operates with 100% WI / 83% NRI
- Acquired by EXXI in 2014 from EPL
- Cumulative Production(2): 224 MMBO + 1.4 TCF
- Current Net Production(3): 3,940 BO/d + 3.4 MMCF/d
- Infrastructure: 11 Platforms / 28 Active wells
- 30 stacked predominantly oil reservoirs
- Last drilling program conducted in 2014

10th Largest Oil Field on GoM OCS Shelf(1)

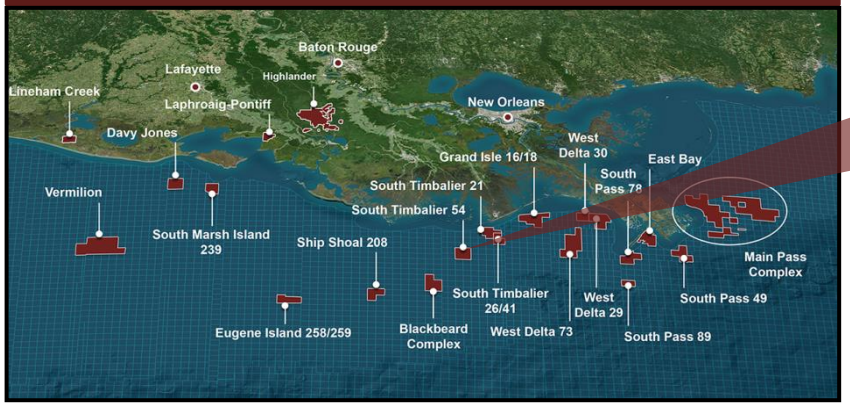
Ship Shoal 208 Field



(1) Rankings based on cumulative oil production of OCS fields in less than 500' WD.
(2) Cumulative production through 10/31/2015 for entire Ship Shoal 208 OCS field per OWL (not only EXXI acreage).
(3) Anticipated net production once third party pipeline issue is resolved.

South Timbalier 54 Overview

Locator Map

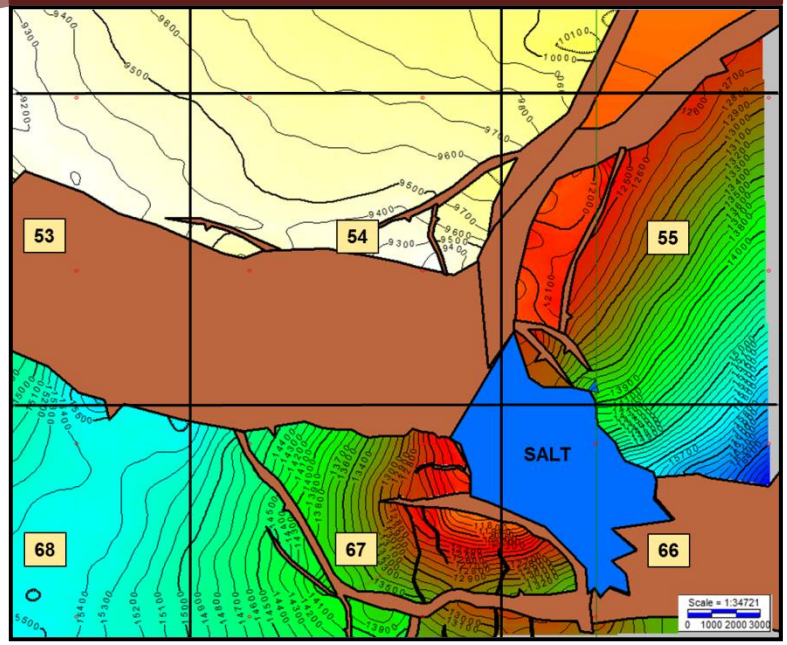


Key Field Statistics

- Discovered 1956 by Humble, located in 61' WD
- EXXI operates with 100% WI / 83–88% NRI
- Acquired by EXXI in 2010 from Exxon
- Cumulative Production(2): 76 MMBO + 446 BCF
- Current Net Production: 1,740 BO/d + 9 MMCF/d
- Infrastructure: 6 Platforms / 26 Active wells
- 7 stacked predominantly oil reservoirs
- Last drilling program conducted in January 2015

47th Largest Oil Field on GoM OCS Shelf(1)

South Timbalier 54 Field



(1) Rankings based on cumulative oil production of OCS fields in less than 500' WD.
(2) Cumulative production through 10/31/2015 for entire South Timbalier 54 OCS field per OWL (not only EXXI acreage).

Exhibit D

RSA

EXECUTION VERSION

ENERGY XXI LTD

RESTRUCTURING SUPPORT AGREEMENT

April 11, 2016

This Restructuring Support Agreement (together with the exhibits and schedules attached hereto, which includes, without limitation, the Term Sheet (as defined below) attached hereto as **Exhibit A**, as each may be amended, restated, supplemented, or otherwise modified from time to time in accordance with the terms hereof, this "***Agreement***"),[1] dated as of April 11, 2016, is entered into by and among: (i) Energy XXI Ltd ("***EXXI***"), Energy XXI Gulf Coast, Inc. ("***EGC***"), EPL Oil & Gas, Inc. ("***EPL***"), and those certain additional subsidiaries of EXXI listed on **Schedule 1** of the Term Sheet (such subsidiaries, EXXI, EGC, and EPL each a "***Debtor***" and, collectively, the "***Debtors***");[2] and (ii) holders of the senior secured second lien notes (the "***Second Lien Noteholders***") issued pursuant to that certain Indenture, dated as of March 12, 2015 (as amended, restated, modified, supplemented, or replaced from time to time prior to the Petition Date, the "***Second Lien Indenture***"), for the 11.00% senior secured second lien notes due 2020 among EGC, each of the guarantors party thereto, and U.S. Bank, N.A., as trustee (and any Second Lien Noteholder that may become in accordance with Section 13 and/or Section 14 hereof) signatories hereto (collectively, the "***Restructuring Support Parties***"). This Agreement collectively refers to the Debtors and the Restructuring Support Parties as the "***Parties***" and each individually as a "***Party***."

RECITALS

WHEREAS, it is anticipated that certain restructuring transactions (the "***Restructuring Transactions***"), including a joint pre-arranged plan of reorganization for the Debtors on terms consistent with the restructuring term sheet attached hereto as **Exhibit A** (the "***Term Sheet***") and incorporated herein by reference pursuant to Section 2 hereof (as may be amended, restated, supplemented, or otherwise modified from time to time in accordance with this Agreement, the "***Plan***")[3], will be implemented through jointly-administered voluntary cases commenced by the Debtors (the "***Chapter 11 Cases***") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (as amended, the "***Bankruptcy Code***"), in the United States Bankruptcy Court for the Southern District of Texas (the "***Bankruptcy Court***"), pursuant to the Plan, which will be filed by the Debtors in the Chapter 11 Cases.

NOW, THEREFORE, in consideration of the promises, mutual covenants, and agreements set forth herein, and for other good and valuable consideration, the receipt and

[1] Unless otherwise noted, capitalized terms used but not immediately defined herein shall have the meanings ascribed to them at a later point in this Agreement or in the Term Sheet (as defined herein), as applicable.

[2] Until the occurrence of the Termination Date, every entity that is a Debtor in the Chapter 11 Cases shall be a party to this Agreement.

[3] The Plan shall be filed in accordance with the Milestones (as defined below) set forth in Section 4 of this Agreement.

sufficiency of which are hereby acknowledged, each of the Parties, intending to be legally bound, hereby agrees as follows:

AGREEMENT

1. **RSA Effective Date**. This Agreement shall become effective, and the obligations contained herein shall become binding upon the Parties, upon the first date (such date, the "***RSA Effective Date***") that this Agreement has been executed by all of the following: (a) each Debtor; and (c) Restructuring Support Parties holding, in aggregate, at least 63.0% in principal amount outstanding of all claims against the Debtors arising on account of the Second Lien Indenture (the "***Second Lien Notes Claims***").

2. **Exhibits and Schedules Incorporated by Reference**. Each of the exhibits attached hereto and any schedules to such exhibits (collectively, the "***Exhibits and Schedules***") is expressly incorporated herein and made a part of this Agreement, and all references to this Agreement shall include the Exhibits and Schedules. In the event of any inconsistency between this Agreement (without reference to the Exhibits and Schedules) and the Exhibits and Schedules, this Agreement (without reference to the Exhibits and Schedules) shall govern.

3. **Definitive Documentation**.

(a) The definitive documents and agreements governing the Restructuring Transactions (collectively, the "***Definitive Documentation***") shall include:

(i) the Plan (and all exhibits thereto), including any plan supplement documents (including, without limitation, documents identifying the officers and directors of the reorganized Debtors, the governance documents for the reorganized Debtors, and any equityholders' agreements with respect to the reorganized Debtors);

(ii) the confirmation order with respect to the Plan (the "***Confirmation Orde***r");

(iii) the related disclosure statement (and all exhibits thereto) with respect to the Plan (the "***Disclosure Statement***");

(iv) the solicitation materials with respect to the Plan (collectively, the "***Solicitation Materials***");

(v) an order authorizing the assumption of this Agreement (the "***RSA Assumption Order***");

(vi) (A) the interim order authorizing use of cash collateral (the "***Interim Cash Collateral Order***") and (B) the final order authorizing use of cash collateral (the "***Final Cash Collateral Order***" and, together with the Interim Cash Collateral Order, the "***Cash Collateral Orders***"); and

(vii) the motions seeking approval of each of the above.

(b) The Definitive Documentation identified in Section 3(a) will, after the RSA Effective Date, remain subject to negotiation and shall, upon completion, contain terms, conditions, representations, warranties, and covenants consistent with the terms of this Agreement (including all exhibits hereto) and be in form and substance satisfactory to those Restructuring Support Parties (in their sole discretion) who hold, in aggregate, at least 66.6% in principal amount outstanding of the Second Lien Notes Claims held by the Restructuring Support Parties (the "***Majority Restructuring Support Parties***").

4. **Milestones**. As provided in and subject to Section 6, the Debtors shall implement the Restructuring Transactions on the following timeline (each deadline, a "***Milestone***"):

(a) no later than April 14, 2016 at 10:00 a.m. (Eastern Time), the Debtors shall commence the Chapter 11 Cases by filing bankruptcy petitions with the Bankruptcy Court (such filing date, the "***Petition Date***");

(b) no later than April 14, 2016, EXXI will file a winding up petition with the Bermuda Court commencing the Bermuda Proceeding;

(c) on the Petition Date, the Debtors shall file with the Bankruptcy Court (i) a motion seeking entry of the Interim Cash Collateral Order and the Final Cash Collateral Order; and (ii) a motion seeking to assume this Agreement (the "***RSA Assumption Motion***");

(d) no later than April 18, 2016, the Bankruptcy Court shall have entered the Interim Cash Collateral Order;

(e) no later than May 16, 2016, the Debtors shall file with the Bankruptcy Court: (i) the Plan; (ii) the Disclosure Statement; and (iii) a motion (the "***Disclosure Statement and Solicitation Motion***") seeking, among other things, (A) approval of the Disclosure Statement, (B) approval of procedures for soliciting, receiving, and tabulating votes on the Plan and for filing objections to the Plan, and (C) to schedule the hearing to consider confirmation of the Plan (the "***Confirmation Hearing***");

(f) no later than May 25, 2016, the Bankruptcy Court shall have entered the Final Cash Collateral Order;

(g) no later than July 1, 2016, the Bankruptcy Court shall have entered an order authorizing the assumption of this Agreement (the "***RSA Assumption Order***");

(h) no later than July 1, 2016, (i) the Bankruptcy Court shall have entered an order approving the Disclosure Statement and the relief requested in the Disclosure Statement and Solicitation Motion; and (ii) no later than five

(5) business days after entry of the order approving the Disclosure Statement and Solicitation Motion, the Debtors shall have commenced solicitation on the Plan by mailing the Solicitation Materials to parties eligible to vote on the Plan;

(i) no later than August 8, 2016, the Bankruptcy Court shall have commenced the Confirmation Hearing;

(j) no later than August 19, 2016, the Bankruptcy Court shall have entered the Confirmation Order; and

(k) no later than September 2, 2016, the Debtors shall consummate the transactions contemplated by the Plan (the date of such consummation, the "***Effective Date***"), it being understood that the satisfaction of the conditions precedent to the Effective Date (as set forth in the Plan and the Term Sheet) shall be conditions precedent to the occurrence of the Effective Date.

It is understood and the Parties agree that any parallel proceeding for EXXI and any of its Bermudian affiliates in Bermuda shall not be subject to the Milestones set forth in this Section 4 (other than the Milestone set forth in Sub-Clause (b) of Section 4) and the Parties shall use reasonable best efforts to consummate any restructuring in Bermuda as promptly as possible in accordance with the Term Sheet. For the avoidance of doubt, the Debtors may not rely on any delay in consummating any restructuring in Bermuda for EXXI and any of its Bermudian affiliates to excuse their performance of any Milestone or to invoke a Debtor Termination Event.

Subject to the individual termination rights set forth in Sub-Clause (a) and (b) of Section 9, the Debtors may extend a Milestone with the express prior written consent of the Majority Restructuring Support Parties.

5. **Commitment of Restructuring Support Parties.** Each Restructuring Support Party shall (severally and not jointly), solely as it remains the legal owner, beneficial owner, and/or investment advisor or manager of or with power and/or authority to bind any claims held by it, from the RSA Effective Date until the occurrence of a Termination Date (as defined in Section 11) applicable to such Restructuring Support Party:

(a) use commercially reasonable efforts to support and cooperate with the Debtors to take all commercially reasonable actions necessary to consummate the Restructuring Transactions in accordance with the Plan and the terms and conditions of this Agreement and the Term Sheet (but without limiting consent, approval, or termination rights provided in this Agreement and the Definitive Documentation), including: (i) voting all of its claims against, or interests in, as applicable, the Debtors now or hereafter owned by such Restructuring Support Party (or for which such Restructuring Support Party now or hereafter has voting control over) to accept the Plan in accordance with the applicable procedures set forth in the Disclosure Statement and the Solicitation Materials, as approved

consistent with the Bankruptcy Code upon receipt of Solicitation Materials approved by the Bankruptcy Court; (ii) timely returning a duly-executed ballot in connection therewith; and (iii) not "opting out" of any releases under the Plan;

(b) not withdraw, amend, or revoke (or cause to be withdrawn, amended, or revoked) its tender, consent, or vote with respect to the Plan; *provided, however*, that the votes of the Restructuring Support Parties shall be immediately revoked and deemed void *ab initio* upon termination of this Agreement; and

(c) use commercially reasonable efforts to support and not object to, delay, impede, or take any other action to interfere with the Restructuring Transactions (including the entry by the Bankruptcy Court of the Interim Cash Collateral Order or the Final Cash Collateral order), or propose, file, support, or vote for any restructuring, workout, or chapter 11 plan for any of the Debtors other than the Restructuring Transactions and the Plan (but without limiting consent, approval, or termination rights provided in this Agreement and the Definitive Documentation).

Notwithstanding anything herein to the contrary, nothing in this Agreement shall require any Restructuring Support Party to take any action or refrain from taking any action that is inconsistent with such Restructuring Support Party's obligations under that certain Intercreditor Agreement, dated as of March 12, 2015, between The Royal Bank of Scotland plc, as Priority Lien Agent, and U.S. Bank National Association, as Second Lien Collateral Trustee.

Notwithstanding anything herein to the contrary, nothing in this Agreement and neither a vote to accept the Plan by any Restructuring Support Party nor the acceptance of the Plan by any Restructuring Support Party shall (w) be construed to prohibit any Restructuring Support Party from contesting whether any matter, fact, or thing is a breach of, or is inconsistent with, this Agreement or the Definitive Documentation, or exercising rights or remedies specifically reserved herein, (x) be construed to limit any Restructuring Support Party's rights under any applicable indenture, credit agreement, other loan document, and/or applicable law or to prohibit any Restructuring Support Party from appearing as a party-in-interest in any matter to be adjudicated in the Chapter 11 Cases, so long as, from the RSA Effective Date until the occurrence of a Termination Date, such appearance and the positions advocated in connection therewith are not materially inconsistent with this Agreement and are not for the purpose of hindering, delaying, or preventing the consummation of the Restructuring Transactions, *provided, however*, that any delay or other impact on consummation of the Restructuring Transactions contemplated by the Plan caused by a Restructuring Support Party's opposition to any relief that is inconsistent with such Restructuring Transactions, a motion by the Debtors to enter into a material executory contract, lease, or other arrangement outside of the ordinary course of its business without obtaining the prior consent of the Majority Restructuring Support Parties, or any relief that is adverse to interests of the Restructuring Support Parties sought by the Debtors (or any other party) shall not constitute a violation of this Agreement, or (y) impair or waive the rights of any Restructuring Support Party to assert or raise any objection permitted

under this Agreement in connection with any hearing on confirmation of the Plan or in the Bankruptcy Court.

6. **Commitment of the Debtors**.

(a) Subject to Sub-Clause (b) and (c) of this Section 6, each of the Debtors (i) agrees to (A) support and make reasonable best efforts to complete the Restructuring Transactions set forth in the Plan and this Agreement, (B) negotiate in good faith all Definitive Documentation that is subject to negotiation as of the RSA Effective Date and take any and all necessary and appropriate actions in furtherance of the Term Sheet, the Plan and this Agreement, and (C) make reasonable best efforts to complete the Restructuring Transactions set forth in the Plan in accordance with each Milestone set forth in Section 4 of this Agreement, and (ii) shall not undertake any action inconsistent with the adoption and implementation of the Plan and the speedy confirmation thereof, including, without limitation, filing any motion to reject this Agreement.

(b) Notwithstanding anything to the contrary herein, the Debtors shall use their best efforts to obtain the treatment for the First Lien Claims as set forth in the Term sheet.

(c) Notwithstanding anything to the contrary herein, nothing in this Agreement shall prevent the directors, officers, or managers of any Debtor (in such person's capacity as a director, officer, or manager of such Debtor) from taking or refraining from taking any action that, after receiving advice from counsel, it is obligated to take or refrain from taking in the performance of its fiduciary obligations under applicable law.

(d) Timely file a formal objection, in form and substance reasonably acceptable to the Majority Restructuring Support Parties, to any motion filed with the Bankruptcy Court by a third party seeking the entry of an order (i) directing the appointment of a trustee or examiner (with expanded powers beyond those set forth in section 1106(a)(3) and (4) of the Bankruptcy Code), (ii) converting the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code, or (iii) dismissing the Chapter 11 Cases.

(e) Timely file a formal objection, in form and substance reasonably acceptable to the Majority Restructuring Support Parties, to any motion filed with the Bankruptcy Court by a third party seeking the entry of an order modifying or terminating the Debtors' exclusive right to file and/or solicit acceptances of a plan of reorganization, as applicable.

(f) Each of the Debtors agrees that to the extent it offers one or more Restructuring Support Parties the right to participate in any investment, financing, or similar transaction (including, without limitation, a DIP

financing, an exit financing, a rights offering, or a sale of the applicable Debtor's debt instruments), all other Restructuring Support Parties shall have the right to participate in such transaction, in accordance with their respective percentage interests, at the same price and on the same terms and conditions.

(g) The Debtors may receive (but not solicit) proposals or offers for any chapter 11 plan or restructuring transaction (including, for the avoidance of doubt, a transaction premised on an asset sale under section 363 of the Bankruptcy Code) other than the Restructuring Transactions (an "***Alternative Transaction***") from other parties and discuss such Alternative Transactions received; *provided*, *however*, that the Debtors shall provide a copy of any written offer or proposal (and notice of any oral offer or proposal) for an Alternative Transaction received to the legal counsel and financial advisors to Ad Hoc Second Lien Committee (as defined below) within one (1) day of the Debtors' or their advisors' receipt of such offer or proposal.

For the avoidance of doubt, nothing in this Section 6 shall be construed to limit or affect in any way (y) any Restructuring Support Party's rights under this Agreement, including upon occurrence of any Termination Event or (z) the Debtors' ability to engage in marketing efforts, discussions, and/or negotiations with any party regarding financing in the Chapter 11 Cases; *provided*, *however*, that to the extent the Debtors engage in any such marketing efforts, discussions, and/or negotiations, they shall provide updates to the Restructuring Support Parties regarding such efforts including answering any and all information and diligence requests regarding such efforts, discussions, and/or negotiations; *provided further*, *however*, that the Restructuring Support Parties shall have a right of first refusal to provide any such financing in the Chapter 11 Cases.

7. **Restructuring Support Party Termination Events**. The Majority Restructuring Support Parties shall have the right, but not the obligation, upon notice to the other Parties, to terminate the obligations of the Restructuring Support Parties under this Agreement upon the occurrence of any of the following events, unless waived, in writing, by the Majority Restructuring Support Parties on a prospective or retroactive basis (each, a "***Restructuring Support Party Termination Event***"):

(a) the failure to meet any of the Milestones in Section 4 unless (i) such failure is the direct result of any act, omission, or delay on the part of any Restructuring Support Party in violation of its obligations under this Agreement or (ii) such Milestone is extended in accordance with Section 4;

(b) the conversion of one or more of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code;

(c) the appointment of a trustee, receiver, or examiner with expanded powers beyond those set forth in section 1106(a)(3) and (4) of the Bankruptcy Code in one or more of the Chapter 11 Cases;

(d) any Debtor (i) files, amends or modifies, or files a pleading seeking authority to amend or modify, the Definitive Documentation in a manner that is inconsistent with this Agreement or are otherwise in a form and substance not reasonably satisfactory to the Majority Restructuring Support Parties, (ii) suspends or revokes the Restructuring Transactions without the prior consent of the Majority Restructuring Support Parties, or (iii) publicly announces its intention to take any such acts listed in (i) or (ii) of this Sub-Clause (d);

(e) any Debtor files or publicly announces that it will file or joins in or supports any plan of reorganization other than the Plan, or files any motion or application seeking authority to sell any assets, without the prior written consent of the Majority Restructuring Support Parties;

(f) the issuance of any ruling or order by any governmental authority, including the Bankruptcy Court, or any other court of competent jurisdiction, or other regulatory authority, enjoining or otherwise making impractical the substantial consummation of the Restructuring Transactions on the terms and conditions set forth in the Term Sheet or the Plan, or the commencement of any action by any governmental authority or other regulatory authority that could reasonably be expected to enjoin or otherwise make impractical the substantial consummation of the Restructuring Transactions on the terms and conditions set forth in the Term Sheet or the Plan; *provided*, *however*, that the Debtors shall have 10 business days after issuance of such ruling, order, or action to obtain relief that would allow consummation of the Restructuring Transactions in a manner that (i) does not prevent or diminish in a material way compliance with the terms of the Plan and this Agreement, and (ii) is acceptable to the Majority Restructuring Support Parties;

(g) the Debtors file any motion authorizing the use of cash collateral that is not in the form of the Interim Cash Collateral Order or Final Cash Collateral Order or otherwise consented to by the Majority Restructuring Support Parties;

(h) a breach by any Debtor of any representation, warranty, or covenant of such Debtor set forth in this Agreement (it being understood and agreed that any actions required to be taken by the Debtors that are included in the Term Sheet attached to this Agreement but not in this Agreement are to be considered "***covenants***" of the Debtors, and therefore covenants of this Agreement, notwithstanding the failure of any specific provision in the Term Sheet to be re-copied in this Agreement) that (to the extent curable) remains uncured for a period of five (5) business days after the

receipt by the Restructuring Support Parties or the Debtors (as applicable) of written notice of such breach; *provided*, *however*, that the Debtors shall provide written notice of such breach promptly upon becoming aware of such breach following reasonable inquiry;

(i) a breach by a Restructuring Support Party outside of the Majority Restructuring Support Parties of any representation, warranty, or covenant of such Restructuring Support Party set forth in this Agreement that could reasonably be expected to have a material adverse impact on the Restructuring Transactions or the consummation of the Restructuring Transactions that (to the extent curable) remains uncured for a period of five (5) business days after the receipt by such Restructuring Support Party of notice and description of such breach;

(j) either (i) any Debtor or any other Restructuring Support Party files a motion, application, or adversary proceeding (or any Debtor or other Restructuring Support Party supports any such motion, application, or adversary proceeding filed or commenced by any third party) (A) challenging the validity, enforceability, perfection, or priority of, or seeking avoidance or subordination of the Second Lien Notes Claims or the liens securing such claims, or (B) asserting any other cause of action against and/or with respect or relating to such claims or the prepetition liens securing such claims; or (ii) the Bankruptcy Court (or any court with jurisdiction over the Chapter 11 Cases) enters an order providing relief against the interests of any Restructuring Support Party with respect to any of the foregoing causes of action or proceedings;

(k) any Debtor terminates its obligations under and in accordance with this Agreement;

(l) any board, officer, or manager (or party with authority to act) of a Debtor (or the Debtors themselves) takes any action in furtherance of the rights available to it (or them) under Section 6(b) of this Agreement that are inconsistent with the Restructuring Transactions as contemplated by the Term Sheet attached hereto as **Exhibit A**;

(m) notwithstanding anything to the contrary in the Term Sheet, any Debtor proposes treatment for the claims against the Debtors arising on account of the First Lien Credit Agreement (the "***First Lien Claims***") that is not consented to by the Majority Restructuring Support Parties;

(n) upon any event of default under the Cash Collateral Orders that is not cured within the requisite cure period provided by the Cash Collateral Orders;

(o) any of the orders approving this Agreement, the use of cash collateral, the Plan, or the Disclosure Statement are reversed, stayed, dismissed, vacated,

or reconsidered without the consent of the Majority Restructuring Support Parties, are modified or amended in a manner that is inconsistent with this Agreement or not reasonably satisfactory to the Majority Restructuring Support Parties, or a motion for reconsideration, reargument, or rehearing is granted;

(p) any debtor-in-possession financing is entered into on terms that are not reasonably acceptable to the Majority Restructuring Support Parties;

(q) the Bankruptcy Court enters an order in the Chapter 11 Cases terminating any of the Debtors' exclusive right to file a plan or plans of reorganization pursuant to section 1121 of the Bankruptcy Code;

(r) the Bankruptcy Court denies approval of the RSA Assumption Motion;

(s) the failure of any documentation to be "***Definitive Documentation***," as defined in Section 3 of this Agreement or otherwise comply with Section 3; or

(t) the occurrence of any other material breach of this Agreement or the Term Sheet not otherwise covered in this list by any Debtor that has not been cured (if susceptible to cure) within five (5) business days after written notice to the Debtors of such breach by the Majority Restructuring Support Parties asserting such termination.

Notwithstanding anything to the contrary herein, following the commencement of the Chapter 11 Cases and unless and until there is an unstayed order of the Bankruptcy Court providing that the giving of notice under and/or termination of this Agreement in accordance with its terms is not prohibited by the automatic stay imposed by section 362 of the Bankruptcy Code, the occurrence of any of the Termination Events in this Section 7 shall result in an automatic termination of this Agreement, to the extent the Majority Restructuring Support Parties would otherwise have the ability to terminate this Agreement in accordance with Section 7, three (3) business days following such occurrence unless waived in writing by the Majority Restructuring Support Parties.

8. **The Debtors' Termination Events**. Each Debtor may, upon notice to the Restructuring Support Parties, terminate its obligations under this Agreement upon the occurrence of any of the following events (each a "***Debtor Termination Event***," and together with the Restructuring Support Party Termination Events, the "***Termination Events***"), in which case this Agreement shall terminate with respect to all Parties, subject to the rights of the Debtors to fully or conditionally waive, in writing, on a prospective or retroactive basis, the occurrence of a Debtor Termination Event:

(a) a breach by a Restructuring Support Party of any representation, warranty, or covenant of such Restructuring Support Party set forth in this Agreement that could reasonably be expected to have a material adverse impact on the Restructuring Transactions or the consummation of the Restructuring Transactions that (to the extent curable) remains uncured for

a period of 10 business days after the receipt by the Restructuring Support Parties of notice and description of such breach;

(b) the occurrence of a breach of this Agreement by any Restructuring Support Party that has the effect of materially impairing any of the Debtors' ability to effectuate the Restructuring Transactions and has not been cured (if susceptible to cure) within 10 business days after notice to all Restructuring Support Parties of such breach and a description thereof;

(c) upon notice to the Restructuring Support Parties, if the board of directors or board of managers, as applicable, of a Debtor determines, after receiving advice from counsel, that proceeding with the Restructuring Transactions (including, without limitation, the Plan or solicitation of the Plan) would be inconsistent with the exercise of its fiduciary duties; or

(d) the issuance by any governmental authority, including the Bankruptcy Court, any regulatory authority, or any other court of competent jurisdiction, of any ruling or order enjoining the substantial consummation of the Restructuring Transactions; *provided*, *however*, that the Debtors have made commercially reasonable, good faith efforts to cure, vacate, or have overruled such ruling or order prior to terminating this Agreement.

9. **Individual Termination**. Any Restructuring Support Party may terminate this Agreement as to itself only in the event that (a) the Milestone set forth in Sub-Clause (e) of Section 4 is not met, (b) the Milestone set forth in Sub-Clause (k) of Section 4 is not met, or (c) any Definitive Document is filed or executed that specifically provides, with respect to distributions under the Plan, for the allocation for tax purposes between principal and interest in a manner that is not acceptable to such Restructuring Support Party, in each case by giving ten (10) business days' notice to the Debtors and the other Restructuring Support Parties within five (5) business days of such missed Milestone, filing, or execution.

10. **Mutual Termination; Automatic Termination**. This Agreement and the obligations of all Parties hereunder may be terminated by mutual written agreement by and among (a) each of the Debtors and (b) the Restructuring Support Parties. Notwithstanding anything in this Agreement to the contrary, this Agreement shall terminate automatically upon the occurrence of the Effective Date.

11. **Effect of Termination**. The earliest date on which termination of this Agreement as to a Party is effective in accordance with Sections 7, 8, 9 or 10 of this Agreement shall be referred to, with respect to such Party, as a "***Termination Date***." Upon the occurrence of a Termination Date, the terminating Party's and, solely in the case of a Termination Date in accordance with Section 10, all Parties' obligations under this Agreement shall be terminated effective immediately, and such Party or Parties hereto shall be released from all commitments, undertakings, and agreements hereunder; *provided*, *however*, that each of the following shall survive any such termination: (a) any claim for breach of this Agreement that occurs prior to such Termination Date, and all rights and remedies with respect to such claims shall not be prejudiced in any way; (b) the Debtors' obligations in Section 15 of this Agreement accrued up

to and including such Termination Date; and (c) Sections 11, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26, 32, 33, and 34 hereof. The automatic stay applicable under section 362 of the Bankruptcy Code shall not prohibit a Party from taking any action necessary to effectuate the termination of this Agreement pursuant to and in accordance with the terms hereof.

12. **Cooperation and Support**. The Debtors shall provide draft copies of all "first day" motions, applications, and other documents that any Debtor intends to file with the Bankruptcy Court to counsel to the Restructuring Support Parties at least five (5) business days prior to the date when such Debtor intends to file such document. Counsel to the Restructuring Support Parties shall use commercially reasonable efforts to provide all comments to all such documents by no later than two (2) calendar days prior to the date when the Debtors intend to file such documents, and counsel to the respective Parties shall consult in good faith regarding the form and substance of any such proposed filing with the Bankruptcy Court. The Debtors will provide draft copies of all other material pleadings any Debtor intends to file with the Bankruptcy Court to counsel to the Restructuring Support Parties at least two (2) business days prior to filing such pleading to the extent practicable. Counsel to the Restructuring Support Parties shall use commercially reasonable efforts to provide all comments to such pleadings by no later than one (1) calendar day prior to the date when the Debtor intends to file such document, to the extent practicable, and counsel to the respective Parties shall consult in good faith regarding the form and substance of any such proposed pleading. For the avoidance of doubt, the Parties agree to negotiate in good faith the Definitive Documentation (including the Cash Collateral Orders) that is subject to negotiation and completion, consistent with Sub-Clause (b) of Section 3 hereof and that notwithstanding anything herein to the contrary, the Definitive Documentation, including any motions or orders related thereto, shall be consistent with this Agreement and otherwise shall be in form and substance reasonably satisfactory to the Majority Restructuring Support Parties. The Debtors shall make reasonable best efforts to (i) provide to the Restructuring Support Parties' advisors, and direct its employees, officers, advisors and other representatives to provide the Restructuring Support Parties' advisors, (A) reasonable access (without any material disruption to the conduct of the Debtors' businesses) during normal business hours to the Debtors' books and records, (B) reasonable access to the management and advisors of the Debtors for the purposes of evaluating the Debtors' assets, liabilities, operations, businesses, finances, strategies, prospects and affairs, and (C) timely and reasonable responses to all reasonable diligence requests; and (ii) promptly notify the Restructuring Support Parties of any governmental or third party litigations, investigations or hearings against, or communications with, any of the Debtors.

13. **Transfers of Claims and Interests**.

(a) No Restructuring Support Party shall (i) sell, transfer, assign, pledge, grant a participation interest in, or otherwise dispose of, directly or indirectly, its right, title, or interest in respect of any of such Restructuring Support Party's claims against any Debtor subject to this Agreement, as applicable, in whole or in part, or (ii) deposit any of such Restructuring Support Party's claims against any Debtor, as applicable, into a voting trust, or grant any proxies, or enter into a voting agreement with respect to any such claims or interests (the actions described in clauses (i) and (ii) are collectively referred to herein as a "***Transfer***" and the Restructuring

Support Party making such Transfer is referred to herein as the "***Transferor***"), unless such Transfer is to another Restructuring Support Party or any other entity that first agrees in writing to be bound by the terms of this Agreement by executing and delivering to the Debtors a Transferee Joinder substantially in the form attached hereto as **Exhibit B** (the "***Transferee Joinder***"). With respect to claims against or interests in a Debtor held by the relevant transferee upon consummation of a Transfer in accordance herewith, such transferee is deemed to make all of the representations, warranties, and covenants of a Restructuring Support Party, as applicable, set forth in this Agreement. Upon compliance with the foregoing, the Transferor shall be deemed to relinquish its rights (and be released from its obligations, except for any claim for breach of this Agreement that occurs prior to such Transfer) under this Agreement to the extent of such transferred rights and obligations. Any Transfer made in violation of this Sub-Clause (a) of this Section 13 shall be deemed null and void *ab initio* and of no force or effect, regardless of any prior notice provided to the Debtors and/or any Restructuring Support Party, and shall not create any obligation or liability of any Debtor or any other Restructuring Support Party to the purported transferee.

(b) Notwithstanding Sub-Clause (a) of this Section 13, (i) an entity that is acting in its capacity as a Qualified Marketmaker shall not be required to be or become a Restructuring Support Party to effect any transfer (by purchase, sale, assignment, participation, or otherwise) of any claim against any Debtor, as applicable, by a Restructuring Support Party to a transferee; *provided that* such transfer by a Restructuring Support Party to a transferee shall be in all other respects in accordance with and subject to Sub-Clause (a) of this Section 13; and (ii) to the extent that a Restructuring Support Party, acting in its capacity as a Qualified Marketmaker, acquires any claim against, or interest in, any Debtor from a holder of such claim who is not a Restructuring Support Party, it may transfer (by purchase, sale, assignment, participation, or otherwise) such claim or interest without the requirement that the transferee be or become a Restructuring Support Party in accordance with this Section 13. For purposes of this Sub-Clause (b), a "***Qualified Marketmaker***" means an entity that (x) holds itself out to the market as standing ready in the ordinary course of its business to purchase from customers and sell to customers claims against any of the Debtors (including debt securities or other debt) or enter with customers into long and short positions in claims against the Debtors (including debt securities or other debt), in its capacity as a dealer or market maker in such claims against the Debtors, and (y) is in fact regularly in the business of making a market in claims against issuers or borrowers (including debt securities or other debt).

14. **Further Acquisition of Claims or Interests**. Except as set forth in Section 13, nothing in this Agreement shall be construed as precluding any Restructuring Support Party or any of its affiliates from acquiring additional First Lien Claims, Second Lien Notes Claims,

unsecured notes claims, existing equity interests, or interests in the instruments underlying the First Lien Claims, Second Lien Notes Claims, unsecured notes claims, or existing equity interests; *provided*, *however*, that any additional First Lien Claims, Second Lien Notes Claims, unsecured notes claims, existing equity interests, or interests in the underlying instruments acquired by any Restructuring Support Party and with respect to which such Restructuring Support Party is the legal owner, beneficial owner, and/or investment advisor or manager of or with power and/or authority to bind any claims or interests held by it shall automatically be subject to the terms and conditions of this Agreement. Upon any such further acquisition, such Restructuring Support Party shall promptly notify EXXI and counsel to the Ad Hoc Second Lien Committee.

15. **Fees and Expenses**. Subject to Section 10, the Debtors shall pay or reimburse when due all reasonable and documented fees and expenses of the following (regardless of whether such fees and expenses were incurred before or after the Petition Date): (a) Milbank, Tweed, Hadley & McCloy LLP ("***Milbank***"), as counsel to an *ad hoc* committee of the Second Lien Noteholders (the "***Ad Hoc Second Lien Committee***"), in accordance with the terms of that certain fee letter dated as of March 16, 2016, (b) Houlihan Lokey Capital, Inc. ("***Houlihan***"), as financial advisor to the Ad Hoc Second Lien Committee, in accordance with the terms of that certain fee letter dated as of February 10, 2016; and (c) any local counsel and industry consultants or specialists as may reasonably be necessary to advise the Ad Hoc Second Lien Committee in connection with the Restructuring Transactions.

16. **Consents and Acknowledgments**. Each Party irrevocably acknowledges and agrees that this Agreement is not and shall not be deemed to be a solicitation for consents to the Plan. The acceptance of the Plan by each of the Restructuring Support Parties will not be solicited until such Parties have received the Disclosure Statement and related ballots in accordance with applicable law, and will be subject to sections 1125, 1126 and 1127 of the Bankruptcy Code.

17. **Representations and Warranties**.

(a) Each Restructuring Support Party hereby represents and warrants on a several and not joint basis for itself and not any other person or entity that the following statements are true, correct, and complete, to the best of its actual knowledge, as of the date hereof:

(i) it has the requisite organizational power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement;

(ii) the execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate or other organizational action on its part;

(iii) the execution, delivery and performance by it of this Agreement does not violate any provision of law, rule, or regulation applicable

to it, or its certificate of incorporation, or bylaws, or other organizational documents in any material respect;

(iv) subject to the provisions of sections 1125 and 1126 of the Bankruptcy Code, this Agreement is the legally valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally, or by equitable principles relating to enforceability;

(v) it is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the "***Securities Act***"), with sufficient knowledge and experience to evaluate properly the terms and conditions of this Agreement and to consult with its legal and financial advisors with respect to its investment decision to execute this Agreement, and it has made its own analysis and decision to enter into this Agreement; and

(vi) it (A) either (1) is the sole owner of the claims and interests identified below its name on its signature page hereof and in the amounts set forth therein, or (2) has all necessary investment or voting discretion with respect to the principal amount of claims and interests identified below its name on its signature page hereof, and has the power and authority to bind the owner(s) of such claims and interests to the terms of this Agreement; (B) is entitled (for its own accounts or for the accounts of such other owners) to all of the rights and economic benefits of such claims and interests; or (C) does not directly or indirectly own any claims against any Debtor other than as identified below its name on its signature page hereof.

(b) Each Debtor hereby represents and warrants on a joint and several basis (and not any other person or entity other than the Debtors) that the following statements are true, correct, and complete as of the date hereof:

(i) it has the requisite corporate or other organizational power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement;

(ii) the execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate or other organizational action on its part, including approval of each of the independent director(s) or

manager(s), as applicable, of each of the corporate entities that comprise the Debtors;

(iii) the execution and delivery by it of this Agreement does not (A) violate its certificates of incorporation, or bylaws, or other organizational documents, or those of any of its affiliates, or (B) result in a breach of, or constitute (with due notice or lapse of time or both) a default (other than, for the avoidance of doubt, a breach or default that would be triggered as a result of the Chapter 11 Cases or any Debtor's undertaking to implement the Restructuring Transactions through the Chapter 11 Cases) under any material contractual obligation to which it or any of its affiliates is a party;

(iv) the execution and delivery by it of this Agreement does not require any registration or filing with, the consent or approval of, notice to, or any other action with any federal, state, or other governmental authority or regulatory body, other than, for the avoidance of doubt, the actions with governmental authorities or regulatory bodies required in connection with implementation of the Restructuring Transactions;

(v) subject to the provisions of sections 1125 and 1126 of the Bankruptcy Code and, to the extent applicable, approval by the Bankruptcy Court, this Agreement is the legally valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally, or by equitable principles relating to enforceability; and

(vi) it has sufficient knowledge and experience to evaluate properly the terms and conditions of the Plan and this Agreement, and has been afforded the opportunity to consult with its legal and financial advisors with respect to its decision to execute this Agreement, and it has made its own analysis and decision to enter into this Agreement and otherwise investigated this matter to its full satisfaction.

18. **Survival of Agreement**. Each of the Parties acknowledges and agrees that this Agreement is being executed in connection with negotiations concerning a possible financial restructuring of the Debtors and in contemplation of possible chapter 11 filings by the Debtors and the rights granted in this Agreement are enforceable by each signatory hereto without approval of any court, including the Bankruptcy Court.

19. **Waiver**. If the transactions contemplated herein are not consummated, or following the occurrence of a Termination Date, if applicable, nothing herein shall be construed

as a waiver by any Party of any or all of such Party's rights, other than as provided in Section 16, and the Parties expressly reserve any and all of their respective rights. The Parties acknowledge that this Agreement, the Plan, and all negotiations relating hereto are part of a proposed settlement of matters that could otherwise be the subject of litigation. Pursuant to Rule 408 of the Federal Rules of Evidence, any applicable state rules of evidence and any other applicable law, foreign or domestic, the Term Sheet, this Agreement, the Plan, any related documents, and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce its terms.

20. **Relationship Among Parties**. Notwithstanding anything herein to the contrary, the duties and obligations of the Restructuring Support Parties under this Agreement shall be several, not joint. No Party shall have any responsibility by virtue of this Agreement for any trading by any other entity. No prior history, pattern, or practice of sharing confidences among or between the Parties shall in any way affect or negate this Agreement. The Parties acknowledge that this Agreement does not constitute an agreement, arrangement, or understanding with respect to acting together for the purpose of acquiring, holding, voting, or disposing of any equity securities of the Debtors and do not constitute a "group" within the meaning of Rule 13d-5 under the Securities Exchange Act of 1934, as amended. No action taken by any Restructuring Support Party pursuant to this Agreement shall be deemed to constitute or to create a presumption by any of the Parties that the Restructuring Support Parties are in any way acting in concert or as such a "group."

21. **Specific Performance**. It is understood and agreed by the Parties that money damages may be an insufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to seek specific performance and injunctive or other equitable relief as a remedy of any such breach of this Agreement, including, without limitation, an order of the Bankruptcy Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder.

22. **Governing Law & Jurisdiction**. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to such state's choice of law provisions which would require or permit the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, each Party irrevocably and unconditionally agrees for itself that any legal action, suit, or proceeding against it with respect to any matter arising under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit, or proceeding, shall be brought in the federal or state courts located in the City of New York, Borough of Manhattan, and by executing and delivering this Agreement, each of the Parties irrevocably accepts and submits itself to the exclusive jurisdiction of such court, generally and unconditionally, with respect to any such action, suit or proceeding. Notwithstanding the foregoing consent to New York jurisdiction, if the Chapter 11 Cases are commenced, each Party agrees that the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Agreement. By executing and delivering this Agreement, and upon commencement of the Chapter 11 Cases, each of the Parties irrevocably and unconditionally submits to the personal jurisdiction of the Bankruptcy Court solely for purposes of any action, suit, proceeding, or other contested matter arising out of or relating to this Agreement, or for

recognition or enforcement of any judgment rendered or order entered in any such action, suit, proceeding, or other contested matter.

23. **Waiver of Right to Trial by Jury**. Each of the Parties waives any right to have a jury participate in resolving any dispute, whether sounding in contract, tort or otherwise, between any of the Parties arising out of, connected with, relating to, or incidental to the relationship established between any of them in connection with this Agreement. Instead, any disputes resolved in court shall be resolved in a bench trial without a jury.

24. **Successors and Assigns**. Except as otherwise provided in this Agreement, this Agreement is intended to bind and inure to the benefit of each of the Parties and each of their respective permitted successors, assigns, heirs, executors, administrators, and representatives.

25. **No Third-Party Beneficiaries**. Unless expressly stated herein, this Agreement shall be solely for the benefit of the Parties and no other person or entity shall be a third-party beneficiary of this Agreement.

26. **Notices**. All notices (including, without limitation, any notice of termination or breach) and other communications from any Party hereunder shall be in writing and shall be deemed to have been duly given if personally delivered by courier service, messenger, email, or facsimile to the other Parties at the applicable addresses below, or such other addresses as may be furnished hereafter by notice in writing. Any notice of termination or breach shall be delivered to all other Parties.

(a) If to any Debtor:

Energy XXI Ltd
Attn: John D. Schiller
1021 Main, Suite 2626
Houston, TX 77002
Tel: (713) 351-3000
Fax: (713) 351-33000
Email: jschiller@energyxxi.com

With a copy to:

Vinson & Elkins L.L.P.
Attn: Harry A. Perrin
1001 Fannin Street
Houston, TX 10022-4611
Tel: (713) 758-2222
Fax: (713) 758-2346
Email: hperrin@velaw.com

Vinson & Elkins L.L.P.
Attn: David S. Meyer
666 Fifth Avenue, 26th Floor
New York, NY 10103-0040
Tel: (212) 237-0000
Fax: (212) 237-0100
Email: dmeyer@velaw.com

(b) If to a Restructuring Support Party:

To the address set forth on its signature page hereto

with a copy to

Milbank, Tweed, Hadley & McCloy LLP
Attn: Dennis F. Dunne and Samuel A. Khalil
28 Liberty Street
New York, NY 10005
Tel: (212) 530-5000
Fax: (212) 530-5219
Email: ddunne@milbank.com
skhalil@milbank.com

27. **Entire Agreement**. This Agreement (including the Exhibits and Schedules) constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all prior negotiations, agreements, and understandings, whether written or oral, among the Parties with respect to the subject matter of this Agreement.

28. **Amendments**. Except as otherwise provided herein, this Agreement may not be modified, amended, or supplemented without the prior written consent of the Debtors and the Majority Restructuring Support Parties.

29. **Reservation of Rights**.

(a) Except as expressly provided in this Agreement or the Term Sheet, including Section 5(a) of this Agreement, nothing herein is intended to, or does, in any manner waive, limit, impair, or restrict the ability of any Party to protect and preserve its rights, remedies and interests, including without limitation, its claims against any of the other Parties.

(b) Without limiting Sub-Clause (a) of this Section 29 in any way, if the Plan is not consummated in the manner set forth, and on the timeline set forth, in this Agreement and the Term Sheet, or if this Agreement is terminated for any reason, nothing shall be construed herein as a waiver by any Party of any or all of such Party's rights, remedies, claims, and defenses and the Parties expressly reserve any and all of their respective rights, remedies, claims and defenses, subject to Section 18 of this Agreement. The Term Sheet, this Agreement, the Plan, and any related document shall in no

event be construed as or be deemed to be evidence of an admission or concession on the part of any Party of any claim or fault or liability or damages whatsoever. Each of the Parties denies any and all wrongdoing or liability of any kind and does not concede any infirmity in the claims or defenses which it has asserted or could assert.

30. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which, when so executed, shall constitute the same instrument, and the counterparts may be delivered by facsimile transmission or by electronic mail in portable document format (.pdf).

31. **Other Support Agreements**. Until the Termination Date, no Debtor shall enter into any other restructuring support agreement related to a partial or total restructuring of the Debtors' obligations unless such support agreement is consistent in all respects with the Term Sheet and is acceptable to the Majority Restructuring Support Parties.

32. **Public Disclosure**. This Agreement, as well as its terms, its existence, and the existence of the negotiation of its terms are expressly subject to any existing confidentiality agreements executed by and among any of the Parties as of the date hereof; *provided*, *however*, that, after the Petition Date, the Parties may disclose the existence of, or the terms of, this Agreement or any other material term of the transaction contemplated herein without the express written consent of the other Parties; *provided further*, *however*, that no Party or its advisors shall disclose to any person or entity (including, for the avoidance of doubt, any other Party) the holdings information of any Restructuring Support Party without such Restructuring Support Party's prior written consent.

33. **Headings**. The section headings of this Agreement are for convenience of reference only and shall not, for any purpose, be deemed a part of this Agreement.

34. **Interpretation**. This Agreement is the product of negotiations among the Parties, and the enforcement or interpretation hereof, is to be interpreted in a neutral manner, and any presumption with regard to interpretation for or against any Party by reason of that Party having drafted or caused to be drafted this Agreement or any portion hereof, shall not be effective in regard to the interpretation hereof.

[*Signatures and exhibits follow.*]

[Signature Pages Redacted]

Schedule 1 to Restructuring Support Agreement

Debtors

1. Anglo-Suisse Offshore Pipeline Partners, LLC
2. Delaware EPL of Texas, LLC
3. Energy Partners Ltd., LLC
4. Energy XXI GOM, LLC
5. Energy XXI Gulf Coast, Inc.
6. Energy XXI Holdings, Inc.
7. Energy XXI, Inc.
8. Energy XXI Leasehold, LLC
9. Energy XXI Ltd
10. Energy XXI Natural Gas Holdings, Inc.
11. Energy XXI Offshore Services, Inc.
12. Energy XXI Onshore, LLC
13. Energy XXI Pipeline, LLC
14. Energy XXI Pipeline II, LLC
15. Energy XXI Services, LLC
16. Energy XXI Texas Onshore, LLC
17. Energy XXI USA, Inc.
18. EPL of Louisiana, L.L.C.
19. EPL Oil & Gas, Inc.
20. EPL Pioneer Houston, Inc.
21. EPL Pipeline, L.L.C.
22. M21K, LLC
23. MS Onshore, LLC
24. Natural Gas Acquisition Company I, LLC
25. Nighthawk, L.L.C.
26. Soileau Catering, LLC

Exhibit A to the Restructuring Support Agreement

Term Sheet

ENERGY XXI LTD
Restructuring Term Sheet

This term sheet (the "***Term Sheet***") sets forth the principal terms of a proposed financial restructuring transaction (the "***Restructuring***") of the existing debt and other obligations of Energy XXI Ltd ("***EXXI***"), Energy XXI Gulf Coast, Inc. ("***EGC***"), EPL Oil & Gas, Inc. ("***EPL***"), and those certain additional subsidiaries of EXXI listed on **Schedule 1** of that certain Restructuring Support Agreement dated April 11, 2016 (the "***Restructuring Support Agreement***").[1] Subject to the Restructuring Support Agreement, the Restructuring will be implemented by the Plan, filed in connection with the Debtors' Chapter 11 Cases.

THIS TERM SHEET DOES NOT CONSTITUTE AN OFFER OF SECURITIES OR A SOLICITATION OF THE ACCEPTANCE OR REJECTION OF A CHAPTER 11 PLAN FOR PURPOSES OF SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE.

THIS TERM SHEET DOES NOT INCLUDE A DESCRIPTION OF ALL OF THE TERMS, CONDITIONS, AND OTHER PROVISIONS THAT ARE TO BE CONTAINED IN THE PLAN AND THE RELATED DEFINITIVE DOCUMENTATION GOVERNING THE RESTRUCTURING IDENTIFIED IN THE RESTRUCTURING SUPPORT AGREEMENT. SUCH DEFINITIVE DOCUMENTATION, ALL MOTIONS, AND RELATED ORDERS AND THE PLAN SOLICITATION DOCUMENTS SHALL SATISFY THE REQUIREMENTS OF THE BANKRUPTCY CODE, THE RESTRUCTURING SUPPORT AGREEMENT, AND THIS TERM SHEET.

THIS TERM SHEET IS BEING PROVIDED AS PART OF A PROPOSED COMPREHENSIVE COMPROMISE AND SETTLEMENT, EACH ELEMENT OF WHICH IS CONSIDERATION FOR THE OTHER ELEMENTS AND AN INTEGRAL ASPECT OF THE PROPOSED RESTRUCTURING. THE STATEMENTS CONTAINED HEREIN ARE PROTECTED BY RULE 408 OF THE FEDERAL RULES OF EVIDENCE, AND NOTHING IN THIS TERM SHEET SHALL CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, A STIPULATION OR A WAIVER, AND EACH STATEMENT CONTAINED HEREIN IS MADE WITHOUT PREJUDICE, WITH A FULL RESERVATION OF ALL RIGHTS, REMEDIES, CLAIMS AND DEFENSES OF THE LENDERS, DEBTORS, AND ANY CREDITOR PARTY.

[1] Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Restructuring Support Agreement.

TERMS AND CONDITIONS OF THE PLAN	
A. Key Terms	
Debtors	EXXI, EGC, and EPL and those certain additional subsidiaries of EXXI listed on **Schedule 1** of the Restructuring Support Agreement. After the Effective Date (as defined herein), the reorganized Debtors shall be referred to collectively as the "***Reorganized Debtors***," EGC shall be referred to as "***Reorganized EGC***," and EPL shall be referred to as "***Reorganized EPL***."
Effective Date	The date on which all the conditions to consummation of the Plan have been satisfied in full or waived with the consent of the Majority Restructuring Support Parties, and the Plan becomes effective. On the Effective Date, the Reorganized Debtors shall be reorganized pursuant to the Plan in accordance with and pursuant to the Bankruptcy Code.
EGC Unsecured Notes Claims	"***EGC Unsecured Notes Claims***" refers collectively to claims arising on account of: • the 9.25% senior unsecured notes due December 15, 2017 (the "***9.25% EGC Unsecured Notes***") issued pursuant to that certain indenture, dated December 17, 2010 (the "***9.25% Senior Notes Indenture***"), among EGC, the guarantors and Wilmington Trust, National Association, as trustee; • the 7.75% senior unsecured notes due June 15, 2019 (the "***7.75% Senior Notes***") issued pursuant to that certain indenture, dated February 25, 2011 (the "***7.75% Senior Notes Indenture***"), among EGC, the guarantors and Wilmington Trust, National Association, as trustee; • the 7.50% senior unsecured notes due December 15, 2021 (the "***7.50% Senior Notes***") issued pursuant to that certain indenture, dated September 26, 2013 (the "***7.50% Senior Notes Indenture***"), among EGC, the guarantors and Wilmington Trust, National Association, as trustee; and • the 6.875% senior unsecured notes due March 15, 2024 (the "***6.875% Senior Notes***") issued pursuant to that certain an indenture, dated May 27, 2014 (the "***6.875% Senior Notes Indenture***"), among EGC, the guarantors

	and Wilmington Trust, National Association, as trustee.
EPL Unsecured Notes Claims	"***EPL Unsecured Notes Claims***" refers collectively to claims arising on account of the 8.25% senior unsecured notes due February 15, 2018 (the "***8.25% Senior Notes***") under that certain indenture dated as of February 14, 2011 (the "***8.25% Senior Notes Indenture***") and that certain supplemental indenture dated as of April 18, 2014 (the "***8.25% Senior Notes Supplemental Indenture***") among EPL, the guarantors party thereto, and U.S. Bank National Association, as trustee.
EXXI Convertible Notes Claims	"***EXXI Convertible Notes Claims***" refers collectively to claims arising on account of the 3.0% senior convertible notes due on December 15, 2018 (the "***3.0% Senior Convertible Notes***") issued pursuant to that certain indenture dated as of November 22, 2013 (the "***3.0% Senior Convertible Notes Indenture***"), among EXXI and Wilmington Trust, National Association, as trustee.
First Lien Claims	"***First Lien Claims***" refers collectively to claims arising on account of the First Lien Credit Agreement.
First Lien Lenders	"***First Lien Lenders***" refers collectively to the lenders party to that certain Second Amended and Restated First Lien Credit Agreement, dated as of May 5, 2011, by and among EGC, each of the guarantors party thereto, Wells Fargo Bank, N.A. as administrative agent, and the lenders and agents from time-to-time party thereto (as amended, restated, modified, supplemented, or replaced from time to time prior to the Petition Date, the "***First Lien Credit Agreement***").
New Equity	On the Effective Date, new common stock in the New Parent (the "***New Equity***") shall be issued and distributed as described herein.
New Parent	"***New Parent***" refers to Reorganized EGC, or such other entity as determined by the Debtors and the Majority Restructuring Support Parties, which entity will hold, directly or indirectly, substantially all of the assets of EXXI and its subsidiaries.
Petition Date	The date on which the Debtors commence their Chapter 11 Cases, to occur on or before April 14, 2016 at 10:00 a.m. (Eastern Time).
Plan Supplement	"***Plan Supplement***" refers, collectively, to the compilation of documents and forms of documents, and all exhibits, attachments, schedules, agreements, documents and instruments

	referred to therein, ancillary or otherwise, including, without limitation, the Management Incentive Plan and the Transaction Steps, all of which are incorporated by reference into, and are an integral part of, the Plan, as all of the same may be amended, modified, replaced and/or supplemented from time to time, which shall be filed with the Bankruptcy Court on or before 10 business days prior to the Confirmation Hearing.
Second Lien Noteholders	"***Second Lien Noteholders***" refers collectively to the holders of the Second Lien Notes Claims.
Second Lien Notes Claims	"***Second Lien Notes Claims***" refers collectively to claims arising on account of the second lien senior secured notes issued pursuant to that certain Indenture, dated as of March 12, 2015 (as amended, restated, modified, supplemented, or replaced from time to time prior to the Petition Date, the "***Second Lien Indenture***"), among EGC, each of the guarantors party thereto, and U.S. Bank, N.A.
Venue	The United States Bankruptcy Court for the Southern District of Texas (the "***Bankruptcy Court***").
Warrant Package	Out-of-the-money warrants equal to an aggregate of up to 10% of the New Equity (subject to dilution from the Management Incentive Plan) with a maturity of 10 years and an equity strike price equal to (i) the principal amount of the Second Lien Notes Claims less the original issue discount of approximately $53.5 million, ***plus*** (ii) accrued and unpaid interest (the "***Warrant Package***"). Subject to the other provisions of this Term Sheet, the Warrant Package shall be divided amongst the classes of EGC Unsecured Notes Claims, EPL Unsecured Notes Claims, and EXXI Convertible Notes Claims, consistent with their respective legal entitlements.
B. <u>Treatment of Certain Claims and Interests under the Chapter 11 Plan</u>	
Other Priority Claims	Each holder of an allowed priority claim (other than a priority tax claim or administrative claim) shall receive either: (a) cash equal to the full allowed amount of its claim or (b) such other treatment as may otherwise be agreed to by such holder, the Debtors, and the Majority Restructuring Support Parties.
Other Secured Claims[2]	Each holder of a secured claim (other than a priority tax claim, First Lien Claim, or Second Lien Notes Claim) shall receive, at

[2] To be determined on a debtor-by-debtor basis.

	the Debtors' election and with the consent of the Majority Restructuring Support Parties, either: (a) cash equal to the full allowed amount of its claim, (b) reinstatement of such holder's claim, (c) the return or abandonment of the collateral securing such claim to such holder, or (d) such other treatment as may otherwise be agreed to by such holder, the Debtors, and the Majority Restructuring Support Parties.
First Lien Claims[3]	The Debtors shall use their best efforts to obtain the following treatment for the holders of First Lien Claims: – At emergence, drawn amount either (i) remains outstanding or (ii) is refinanced no earlier than the Effective Date with a new facility with terms acceptable to the Majority Restructuring Support Parties; *provided, however* that (a) $228 million of letters of credit usage remains outstanding and (b) other terms including a borrowing base redetermination holiday that are acceptable to the Debtors and the Majority Restructuring Support Parties. If the Debtors are unable to obtain the foregoing treatment, the Debtors shall use their best efforts to obtain treatment acceptable to the Debtors and Majority Restructuring Support Parties.
Second Lien Notes Claims	Holders of Second Lien Notes Claims shall receive their *pro rata* share of 100% of the New Equity on account of such Second Lien Notes Claims, subject to dilution from New Equity issued in connection with the Management Incentive Plan and the Warrant Package.
EGC Unsecured Notes Claims	If the class of EGC Unsecured Notes Claims votes to accept the Plan, holders of EGC Unsecured Notes Claims shall receive their *pro rata* share of the Warrant Package; *provided, however* that if the class of EGC Unsecured Notes Claims votes to reject the Plan, holders of EGC Unsecured Notes Claims will not receive a distribution under the Plan.
EPL Unsecured Notes Claims	If the class of EPL Unsecured Notes Claims votes to accept the Plan, holders of EPL Unsecured Notes Claims shall receive their *pro rata* share of the Warrant Package; *provided, however* that if the class of EPL Unsecured Notes Claims votes to reject the Plan, holders of EPL Unsecured Notes Claims will not receive a

[3] Subject to ongoing negotiations with the First Lien Lenders.

	distribution under the Plan.
EXXI Convertible Notes Claims	If the class of EXXI Convertible Notes Claims votes to accept the Plan, holders of EXXI Convertible Notes Claims shall receive their *pro rata* share of the Warrant Package; *provided*, *however* that if the class of EXXI Convertible Claims votes to reject the Plan, holders of EXXI Convertible Claims will not receive a distribution under the Plan.
General Unsecured Claims	To be determined for all Debtors on terms satisfactory to the Debtors and the Majority Restructuring Support Parties.
EXXI Preferred Stock	EXXI Preferred Stock shall be cancelled and extinguished, and holders of EXXI Preferred Stock shall not receive or retain any property or assets on account of such interests.
EXXI Common Stock	EXXI Common Stock shall be cancelled and extinguished, and holders of EXXI Common Stock shall not receive or retain any property or assets on account of such interests.
Intercompany Claims	Intercompany Claims shall be reinstated, compromised, or cancelled, at the option of the Debtors with the consent of the Majority Restructuring Support Parties.
Intercompany Interests	Intercompany Interests shall be reinstated, compromised, or cancelled, at the option of the Debtors with the consent of the Majority Restructuring Support Parties; *provided that* existing equity interests in the entity designated as New Parent as set forth herein, if a Debtor entity, shall be cancelled in accordance with the Transaction Steps.
C. Other Restructuring Provisions	
Bermuda Proceeding	Concurrently with filing a chapter 11 petition with the Bankruptcy Court, EXXI will file a wind-up petition commencing an official liquidation proceeding under the laws of Bermuda (the "***Bermuda Proceeding***") before the Bermudian court (the "***Bermuda Court***"). The Bermuda Proceeding will be implemented pursuant to the transaction steps (the "***Transaction Steps***"), which Transaction Steps shall be filed with the Bankruptcy Court in connection with the filing of the Plan Supplement.
Restructuring Timeline	The Restructuring described herein will take place in accordance with the Milestones set forth in Section 4 of the Restructuring Support Agreement.

Conditions Precedent to the Effective Date	The Plan shall contain customary conditions to effectiveness in form and substance to be agreed upon, including, without limitation: (i) the Confirmation Order shall have been entered, and the Confirmation Order shall have become a final order that is not stayed; (ii) all governmental and third-party approvals and consents, including Bankruptcy Court approval, necessary in connection with the transactions provided for in the Plan have been obtained, are not subject to unfulfilled conditions, and are in full force and effect, and all applicable waiting periods have expired without any action having been taken by any competent authority that would restrain or prevent such transactions; *provided*, *however* that consummation of the Bermuda Proceeding shall not be a condition to the Effective Date; and (iii) the Definitive Documentation relating to the Restructuring shall be executed and satisfactory to the Majority Restructuring Support Parties in accordance with Section 3 of the Restructuring Support Agreement.
Plan as a Bankruptcy Rule 9019 Settlement of All Issues	The Debtors and the Restructuring Support Parties acknowledge and agree that the Plan shall be treated as a settlement pursuant to Bankruptcy Rule 9019 (the "***9019 Settlement***") of various issues, controversies, and disputes. The Plan shall be deemed a motion to approve the 9019 Settlement. To the extent that the Plan is not approved, the issues, controversies, and disputes listed above, among others, may be the subject of litigation between and/or among the Restructuring Support Parties and the Debtors, among others, and nothing in this Term Sheet or the Plan or Disclosure Statement (or any settlement negotiations) may be used by any party as evidence (or otherwise) with regard thereto, including, without limitation, with regard to the strengths or weaknesses of any of the various parties' positions, arguments, or claims. To that end, to the extent that the Plan is not approved, this Term Sheet shall be deemed null and void and of no further force and effect.
Releases and Exculpation	**Releases**: To the fullest extent permitted by applicable law, the Plan shall include a full mutual release from liability in favor of the Debtors, the Restructuring Support Parties, and all of the Debtors' and the Restructuring Support Parties' respective current and former officers and directors, professionals, advisors, accountants, attorneys, investment bankers, consultants, employees, agents and other representatives, from any claims and causes of action related to or in connection with the Debtors, the Debtors' out-of-court restructuring efforts, the Restructuring, the

	Restructuring Support Agreement, the Chapter 11 Cases, or the Plan arising on or prior to the Effective Date; *provided*, *however*, that nothing in the foregoing shall result in any of the Debtors' officers and directors waiving any indemnification claims against the Debtors or any of its insurance carriers or any rights as beneficiaries of any insurance policies. **Exculpation**: To the fullest extent permitted by applicable law, the Plan shall include customary exculpation provisions in favor of the Debtors, the Restructuring Support Parties, and each of the Debtors' and the Restructuring Support Parties' respective current and former officers and directors, professionals, advisors, accountants, attorneys, investment bankers, consultants, employees, agents and other representatives, with respect to any liability relating to the Debtors, the Debtors' out-of-court restructuring efforts, the Restructuring, the Restructuring Support Agreement, the Chapter 11 Cases, or the Plan arising prior to the Effective Date; *provided*, *however*, that no party shall be exculpated from any claim or cause of action that was a result of such party's gross negligence, willful misconduct, or bad faith, as determined by a final order of a court of competent jurisdiction. For the avoidance of doubt, subject to the terms and conditions of the Restructuring Support Agreement, the release and exculpation provisions shall be included in the Plan as described herein and, as such, shall only become effective on the Effective Date.
Injunction	Ordinary and customary injunction provisions shall be included in the Plan and Confirmation Order.
Management	Prior to the Effective Date, the Debtors will negotiate the terms and conditions of an amended and restated employment agreement with John D. Schiller as Chief Executive Officer of New Parent (the "***CEO***"), which terms and conditions shall be subject to the prior written consent of the Majority Restructuring Support Parties, and the form of which shall be included in the Plan Supplement.
Governance	The board of directors of New Parent (the "***New Board***") shall be designated by the Majority Restructuring Support Parties and shall consist of 7 persons, one of whom shall be John D. Schiller as CEO. At the election of the Majority Restructuring Support Parties, the Reorganized Debtors shall enter into a shareholders agreement

	and/or a registration rights agreement, each on terms reasonably acceptable to the Majority Restructuring Support Parties.
KEIP/KERP	To the extent necessary, the Debtors and the Majority Restructuring Support Parties will negotiate in good faith the terms and conditions of a key employee incentive plan and a key employee retention plan, provided that any such plan shall be subject to approval by the Bankruptcy Court.
Management Incentive Plan	The Plan Supplement shall include a long-term management incentive plan (the "***Management Incentive Plan***") for the Reorganized Debtors. Such Management Incentive Plan will reserve up to 8% of the total New Equity on a fully diluted basis (the "***Equity Pool***"). The Management Incentive Plan will be a comprehensive equity based award plan with the New Board to formulate the types of equity based awards (including stock option and restricted stock units) on terms and conditions determined by the New Board. Awards under the Management Incentive Plan will be awarded to the Reorganized Debtors' officers, directors, employees, and consultants at the discretion of the New Board; provided, however, that 3% of the Equity Pool will be allocated by the New Board to such officers, directors, employees, and consultants no later than 60 days after the Effective Date on terms and conditions determined by the New Board, including the type of equity based awards. Subject to the foregoing, the New Board will determine the additional terms of the Management Incentive Plan after the Effective Date, including the allocation, granting, and vesting of applicable awards under the Management Incentive Plan.
BOEM Long Range Plan	It is anticipated that the Debtors will assume all of their OCS mineral leases from the Bureau of Ocean Energy Management ("***BOEM***") (and will not seek to abandon any OCS leases) and as adequate assurance for the BOEM lease assumption, the Debtors will continue to: (a) fund and perform ongoing P&A work as contemplated by its Idle Iron Plan and (b) perform their obligations under that certain Long Range Plan agreed to between the Debtors and BOEM and dated February 29, 2016 during the pendency of their Chapter 11 Cases and in connection with the consummation of the Restructuring.
Executory Contracts and Unexpired Leases	The Debtors may not assume, assume and assign, or reject executory contracts or unexpired leases without the prior written consent of the Majority Restructuring Support Parties.

Tax Provisions	The Plan shall provide that each holder of an allowed claim shall have the option to apply such holder's pro rata share of consideration under the Plan (cash or value) to satisfy outstanding principal of or accrued interest on its allowed claim, as such allocation is determined by such holder in its sole discretion. The Debtors shall use their best efforts to effectuate the terms and conditions of the Restructuring in a tax efficient manner reasonably satisfactory to the Majority Restructuring Support Parties.

Exhibit B to the Restructuring Support Agreement

Form of Transferee Joinder

Form of Transferee Joinder

This joinder (this "***Joinder***") to the Restructuring Support Agreement (the "***Agreement***"),[4] dated as of **[__]**, 2016, by and among (i) Energy XXI Ltd ("***EXXI***"), Energy XXI Gulf Coast, Inc. ("***EGC***"), EPL Oil & Gas, Inc. ("***EPL***") and each of the subsidiaries set forth in **Exhibit A** to the Agreement (such subsidiaries, EXXI, EGC, and EPL each a "***Debtor***" and, collectively the "***Debtors***"), and (ii) the Restructuring Support Parties, is executed and delivered by [_____] (the "***Joining Party***") as of [_____].

1. Agreement to be Bound. The Joining Party hereby agrees to be bound by all of the terms of the Agreement, a copy of which is attached to this Joinder as Annex 1 (as the same has been or may be hereafter amended, restated, or otherwise modified from time to time in accordance with the provisions thereof). The Joining Party shall hereafter be deemed to be a Party for all purposes under the Agreement and one or more of the entities comprising the Restructuring Support Parties, as applicable.

2. Representations and Warranties. The Joining Party hereby represents and warrants to each other Party to the Agreement that, as of the date hereof, such Joining Party (a) is the legal or beneficial holder of, and has all necessary authority (including authority to bind any other legal or beneficial holder) with respect to, the claims identified below its name on the signature page hereof, and (b) makes, as of the date hereof, the representations and warranties set forth in Section 17 of the Agreement to each other Party.

3. Governing Law. This Joinder shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to any conflicts of law provisions which would require or permit the application of the law of any other jurisdiction.

4. Notice. All notices and other communications given or made pursuant to the Agreement shall be sent to:

To the Joining Party at:

[JOINING PARTY]
[ADDRESS]
Attn:
Facsimile: [FAX]
EMAIL:

IN WITNESS WHEREOF, the Joining Party has caused this Joinder to be executed as of the date first written above.

[4] Each capitalized term used herein but not otherwise defined shall have the meaning ascribed to it in the Agreement.

[JOINING PARTY]

By:

Name:

Title:

Holdings: $_____ of Debt
Under the First Lien Credit Agreement

Holdings: $_____ of Debt
Under the Second Lien Indenture

Holdings: $_____ of Debt
Under the 9.25% Indenture

Holdings: $_____ of Debt
Under the 7.75% Indenture

Holdings: $_____ of Debt
Under the 7.5% Indenture

Holdings: $_____ of Debt
Under the 6.875% Indenture

Holdings: $_____ of Debt
Under the 8.25% Indenture

Holdings: $_____ of Debt
Under the 3.0% Indenture

Holdings: _____
shares of Common Equity

Holdings: _____
shares of Preferred Equity

Annex 1 to the Form of Transferee Joinder

Restructuring Support Agreement